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FBIS-EAS-95-153 CONTENTS *9 August 1995*

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NORTHEAST ASIA

Japan

Hashimoto Reiterates Rejection of Section 301 *[ASAHI SHIMBUN NEWS CONFERENCE REPORT]* 1
Article Views Chip Agreement With U.S. *[MAINICHI SHIMBUN 6 Aug]* 1
High-Tech Firms Concentrating in Silicon Valley *[NIHON KEIZAI SHIMBUN 30 Jul]* 2
Tokyo To Tie Up With U.S. on Securities Probes *[KYODO]* 3
Hayashi Comments on U.S. Forces Cost Sharing *[ASAHI SHIMBUN 8 Aug]* 4
Editorial Views Security Ties With U.S. *[TOKYO SHIMBUN 7 Aug]* 4
Editorial Urges USFJ Strength Cutback *[RYUKYU SHIMPO 4 Aug]* 5
MITI To Assist Coal Mining Development in Asia *[ASAHI SHIMBUN 6 Aug]* 7
Kono Vows To Successfully Host APEC Forum *[KYODO]* 7
Textile Import Talks With PRC Slated 10-11 Aug *[YOMIURI SHIMBUN 6 Aug]* 8
Nosaka Says Cabinet To Tackle Economy *[KYODO]* 8
Takemura Hints at Economic Stimulus Package *[KYODO]* 8
EAP Chief Miyazaki on Midterm Economic Issues *[MAINICHI SHIMBUN 9 Aug]* 9
Takemura Comments on High Yen, Budget, Election *[KYODO]* 9
Hashimoto: MITI To Draft Scenario for Economy *[KYODO]* 10
BOJ Head Provides Brighter Economic Assessment *[KYODO]* 11
Igarashi Views Defense Budget Negotiations *[ASAHI SHIMBUN NEWS CONFERENCE REPORT]* 12
Background of Defense Budget Ceiling Accord *[NIHON KEIZAI SHIMBUN 4 Aug]* 12
Editorial Comments on Defense Spending Ceiling *[NIHON KEIZAI SHIMBUN 3 Aug]* 13
Editorial on Political Row Over Defense Budget *[SANKEI SHIMBUN 5 Aug]* 14
Murayama Statement on Tasks Facing New Cabinet *[Tokyo TV]* 14
Murayama Interviewed on Cabinet Reshuffle *[Tokyo TV]* 15
Murayama To Voice 'Remorse' Over War Aggression *[KYODO]* 18
Murayama: SDP To Reinforce Ties With Sakigake *[KYODO]* 18
MITI's Hashimoto To Challenge Kono in Race *[KYODO]* 19
MPT Envisions Helping Venture Business *[MAINICHI SHIMBUN 26 Jul]* 19
Telecom Infrastructure, Market Viewed *[Maidenhead TELEFACTS Aug]* 19

Mongolia

Hural Chairman: Nation Eager To Join APEC *[SANKEI SHIMBUN 7 Aug]* 27

North Korea

South's 'Smear Campaign' Assailed *[Pyongyang Radio]* 27
Kim Yong-sam Group Criticized for Accidents *[KCNA]* 28
South Teachers, Students Decry Kwangju Decision *[KCNA]* 29
Committee Discusses News Coverage for Festival *[KCNA]* 29
  Receives Message From Chongnyon *[KCNA]* 29
South Citizens' Safety at Festival Guaranteed *[KCNA]* 29
Foreigners Arrive for Reunification Festival *[KCNA]* 29
  Comment on Planned Festival *[KCNA]* 30
Foreigners Support Armistice Replacement *[KCNA]* 30
Japan's Criticism of Nuclear Testing 'Farce' *[KCNA]* 31
Chongnyon Supports Building of WPK Monument *[KCNA]* 31
Chinese-Koreans Pay Tribute to Kim Chong-suk *[KCNA]* 31
Laotian Delegation Meets Hwang Chang-yop *[KCNA]* 32
  Attends Friendship Gathering *[KCNA]* 32
Yang Hyong-sop Meets Outgoing Egyptian Envoy *[KCNA]* 32
Kim Chong-il Thanks KPA Chorus, Soldiers *[Pyongyang Radio]* 32
  Thanks People *[KCNA]* 33
ROK Citizens Allegedly Praise Kim Chong-il *[KCNA]* 33
Kim Chong-il's 'Ability' as Leader Extolled *[Pyongyang Radio]* 33
Kim Chong-il's Ideological Work Hailed *[Pyongyang Radio]* 39
Kim Chong-il's Efforts for Unity Praised *[Pyongyang Radio]* 40
Foreigners Pay Respects to Kim Il-song 42
  Liaoning Group Visits Kumsusan *[KCNA]* 42
  Australians Visit Mansu Hill *[KCNA]* 42
WPK Replies to Foreign Party Leaders *[KCNA]* 42
Basic Ideals of Foreign Policy Stressed *[Pyongyang Radio]* 43
Workers Dispatched to Cooperative Farms *[Pyongyang TV]* 44
Ancient Dolmen Found in South Pyongan Province *[KCNA]* 44

South Korea

Liaison Offices Reportedly Opening in Nov *[TONG-A ILBO 9 Aug]* 44
KEDO Team Plans To Visit North 14 or 15 Aug *[YONHAP]* 44
North Detains Ship on 'Spying' Charges *[YONHAP]* 45
  NUB Makes Statement on Incident *[National Unification Board Press Release]* 45
  Kim Yong-sam Calls for Patience *[YONHAP]* 46
  Working-Level Contact Proposed *[YONHAP]* 46
  Rice Delegation Cancels Trip *[MUNHWA ILBO 9 Aug]* 47
Seoul Reconsidering Planned 15 Aug Proposal *[YONHAP]* 47
Japanese Firms Moving Into North 'En Masse' *[MAEIL KYONGJE SINMUN 9 Aug]* 47
Pak Chae-yun Meets Brazilian Counterpart *[THE KOREA TIMES 9 Aug]* 48
Minjong Faction's Yi Chi-ho Leaves DLP *[THE KOREA TIMES 9 Aug]* 48
Cardinal Urges Inquiry Into Kwangju Case *[YONHAP]* 49
Prosecution Questions So on Slush Fund Issue *[YONHAP]* 49
  Releases So After Questioning *[YONHAP]* 50
Banks React to Money Laundering Allegation *[THE KOREA TIMES 9 Aug]* 50
False-Name Accounts Still Hold 43 Billion Won *[YONHAP]* 51
MFE To Transfer Foreign Investment Control *[YONHAP]* 52
Conglomerates Urged To Help Small Industry *[YONHAP]* 52
Seoul Approves Purchase of Indonesian LNG *[THE KOREA HERALD 9 Aug]* 53
Growth in Telecommunications Expected *[THE KOREA TIMES 9 Aug]* 53
Copyright 'Infringer' Agrees To Pay Damages *[THE KOREA HERALD 5 Aug]* 54
Barges Begin Removing Oil From Grounded Tanker *[YONHAP]* 55
Officials' Assets Compensating Sampoong Victims *[YONHAP]* 55

SOUTHEAST ASIA

Brunei, Malaysia & Singapore

Malaysia

Closer Military Ties With South Africa Proposed *[Johannesburg TV]* 56

Singapore

Article Details Township Proposal in Shanghai *[BUSINESS TIMES 26 Jul]* 56
Prime Minister Delivers National Day Speech *[Singapore Radio]* 58

Indonesia

Editorial on U.S. Military Presence in ASEAN *[KOMPAS 5 Aug]* 60
Economic Observers Criticize Capital Market Bill *[KOMPAS 13 Jun]* 61
Textile Industry Faces Raw Material Problem *[KOMPAS 21 Jun]* 62

Philippines

Talks on Spratlys Planned for 9 Aug With Beijing *[Quezon City Radio]* 62
Ramos Concerned Over PRC Spratlys Stand *[MANILA STANDARD 6 Aug]* 63
Government To Strengthen Defense in Spratlys *[KOMPAS 11 Jul]* 63
Trade Protocol Signed With PRC *[PHILIPPINE DAILY INQUIRER 5 Aug]* 63
U.S. Using 'Bullying Approach' To Open Markets *[PHILIPPINE DAILY INQUIRER 4 Aug]* 64
MNLF Chief Says Commanders Joined Abu Sayyaf *[MANILA BULLETIN 4 Aug]* 65
Abu Sayyaf Said Reinforcing Ranks *[MANILA BULLETIN 6 Aug]* 65

Thailand

Ministry Asks U.S. To Act Against Slave Labor *[BANGKOK POST 8 Aug]* 66
Burmese Dissidents Mark Uprising Anniversary *[BANGKOK POST 9 Aug]* 67
Finance Minister To Help Burma, Indochina *[THE SUNDAY POST 6 Aug]* 67
Effect of Speeding Up AFTA Discussed *[BANGKOK POST 9 Aug]* 68
Committee for Political Reform Announced *[THAILAND TIMES 9 Aug]* 69
Minister Identifies Areas in Deficit Cutback *[BANGKOK POST 7 Aug]* 70
Minister Views Plans To Reverse 'Brain Drain' *[THE SUNDAY POST 6 Aug]* 71

Vietnam

Writer Barred From U.S. Conference, Resigns *[TUOI TRE 3 Jun]* 72
Radio Reviews Relations With Singapore *[Hanoi International]* 72
Ministry Reports Increase in Export of Labor *[VIETNAM INVESTMENT REVIEW 17-23 Jul]* 73
Ba Ria-Vung Tau Oversees Party Congress Issues *[NHAN DAN 18 Jul]* 73
Ninh Binh Holds Party Organization Congresses *[Hanoi Radio]* 74
Da Lat City Party Admits 58 New Members *[Hanoi Radio]* 74
Ho Chi Minh City Admits New Party Members *[SAIGON GIAI PHONG 14 Jul]* 74
Data on Violations of Business Rules Issued *[SAIGON GIAI PHONG 16 Jul]* 75

AUSTRALASIA

Australia

Evans: Sanctions Unlikely To Affect France *[Melbourne International]* 76
Spokesman: LE FIGARO Article 'Offensive' *[AFP]* 76

Japan

Hashimoto Reiterates Rejection of Section 301

OW0908124595 Tokyo ASAHI SHIMBUN NEWS CONFERENCE REPORT in Japanese 0400 GMT 9 Aug 95

[News conference by International Trade and Industry Minister Ryutaro Hashimoto with unidentified reporters in the press room of the Ministry of International Trade and Industry in Tokyo from 1459 to 1527 GMT on 8 August]

[FBIS Translated Excerpt] [passage omitted] [Unidentified reporter] How about relations with the United States?

[Hashimoto] Japan's relations with the United States are the most important diplomatic relations for Japan, and this never changes. With this in mind, the two nations have to continue to talk about trade issues based on the principle of a free economy. Actually, there have arisen trade issues such as those regarding intellectual property rights and Japan's film market. We will strictly maintain our position of rejecting Section 301 of Trade Act although we do make efforts to settle the issues within the framework of bilateral negotiations. At the same time, however, depending on the issues, we will be required to seek settlement under a multilateral framework because the World Trade Organization, with internationally-recognized trade rules, has been established. We just hope that issues will basically be settled in face-to-face negotiations. I do not want to see a bamboo sword thrust at my throat again. [passage omitted]

Article Views Chip Agreement With U.S.

OW0808145795 Tokyo MAINICHI SHIMBUN in Japanese 6 Aug 95 Morning Edition p 9

[Article by Economic News Department reporters Hideaki Nakamura and Yasuyu Nojima: "Tokyo, Washington Split Over Assessing the Japan-U.S. Semiconductor Agreement"]

[FBIS Translated Text] The Japan-U.S. Semiconductor Agreement, which sets the share of foreign-made semiconductors on the Japanese market, will expire in July next year. While the United States unofficially expresses a willingness to renew the agreement, Japan denies the need to keep the agreement in place, claiming that "the target for the 20-percent share has been met." For Japan, the agreement, which sets numerical targets, is a "negative legacy of Japan's concessions to the United States." Yet the United States takes the agreement as a successful example of its results-oriented trade policy. The two countries are divided over the assessment of the agreement. Will it be kept as it is or terminated? Tokyo and Washington will hold talks within the year to discuss specifically whether or not to renew the bilateral accord. The MAINICHI SHIMBUN has checked up on the Japan-U.S. Semiconductor Agreement.

The Fact of 20 Percent

The share of foreign semiconductors on the Japanese market has continued to run more than 20 percent since the fourth quarter of 1992. Since that time, Japanese electric machinery makers, electric household appliance makers, and other Japanese manufacturers have sent their officials to the United States to purchase U.S.-made chips. They have exerted their utmost efforts to boost purchases of U.S.-made chips through the "design-in" method, under which they and U.S. chip makers jointly develop chips from the design stage to make U.S.-made chips suitable for the specifications for Japanese household electric appliances. The organization of Japanese users has established the "Japan-U.S. Semiconductor Access Center" in the United States. At the center, individual business deals have been made between Japanese semiconductor users and U.S. semiconductor makers. The Machinery and Information Industries Bureau of the International Trade and Industry Ministry [MITI] says, "The sharply appreciated yen has played the role of divine winds for meeting the target."

Imports from South Korea and other Asian nations of inexpensive semiconductors used to manufacture general consumer goods have been on the rise. According to 1994 trade statistics, Japan imported approximately 340 billion yen worth of semiconductors from other Asian nations, an amount equal to what Japan spent on semiconductors from the United States.

Merits and Demerits of Japan-U.S. Semiconductor Agreement

In a bid to increase the share of foreign semiconductors in the Japanese market in terms of amount, Japanese users have continued to focus their purchases of U.S.-made semiconductors on high value-added CPU's (central processing units). Japanese semiconductor makers, meanwhile, have leaned toward producing memories that U.S. makers have stopped making, thereby allowing South Korean semiconductor makers to catch up with them. Some Japanese chip makers point out, "The Japan-U.S. Semiconductor Agreement has resulted in weakening the international competitiveness of Japanese chip makers."

The Japan-U.S. Semiconductor Agreement has become a shackle for Japan in trade negotiations with the United States. A top MITI official says, "The United States insisted on setting numerical targets at Japan-U.S. auto talks, in an attempt to use the Japan- U.S.

Semiconductor Agreement as a model; and the U.S. insistence stood in the way of an early conclusion to the talks."

Future of Bilateral Negotiations

Tomio Tsutsumi, administrative vice minister of trade and industry, says: "MITI will build a new U.S.-Japan trade regime in line with international rules. MITI sees the building of a new trade regime as the foundation of Japan's future trade policy." The semiconductor industry agrees with MITI on the point that the Japan-U.S. Semiconductor Agreement is no longer necessary.

At present, the United States is notifying Japan of its intention to extend the agreement, and the Clinton administration is linking the presidential election to U.S. foreign policy. If the presidential election heats up on the eve of the primaries scheduled to be held in spring next year, the issue of renewing the Japan-U.S. Semiconductor Agreement could become a hot political issue between Japan and the United States.

Some in the government and the semiconductor industry are making a compromise proposal that "the agreement be kept as it is to maintain a friendly relationship between Japanese users and U.S. chip makers, with the numerical target of 20 percent eliminated from the agreement." However, the future of the Japan-U.S. Semiconductor Agreement remains uncertain.

The Changing Japanese and U.S. Semiconductor Industries

The Japan-U.S. Semiconductor Agreement has increased opportunities for both Japanese and U.S. chip makers to form joint-venture businesses. The semiconductor industries of Japan and the United States have shifted from confrontation to cooperation and appear to have strengthened mutual relations, regardless of the existence of the agreement because they expected the markets of both nations to expand rapidly following the promotion of multimedia.

To cite an example, a rough division of semiconductor production is underway between Japan and the United States: Logic-related semiconductors like the CPU produced by Motorola are made by the United States, and memory-related semiconductors are produced by Japan. Recently, U.S. semiconductor makers have turned again to the production of memories; a U.S. chip maker is studying the possibility of resuming its memory production. The demand for semiconductors used to manufacture personal computers is growing far beyond what was anticipated. The demand for semiconductors will grow at a double-digit annual rate in the future, and the world semiconductor market is projected to nearly double to more than $200 billion by the end of this century. A semiconductor industry official says, "Future efforts will focus on compressing the functions of logic and memory on a chip." Japan holds the key to the microprocessing technology.

Texas Instruments in the United States and Hitachi and Kobe Steel in Japan are believed to have decided to form a joint venture for the production of the next generation 64-megabit DRAM (dynamic random access memory) chips in response to those trends. In the multimedia era, it is important to develop high-level logic-related semiconductors to process voices and images. The United States leads in this field. A single firm is unable to produce new semiconductors because of the need for huge amounts of investment. NEC Corporation says, "Japanese and U.S. semiconductor industries will be in a new relationship in which they will go beyond their boundaries and past tie-ups to make new connections with each other in one field while competing with each other in another field."

High-Tech Firms Concentrating in Silicon Valley

OW0608115295 Tokyo NIHON KEIZAI SHIMBUN in Japanese 30 Jul 95 Morning Edition p 1

[FBIS Translated Text] Japanese information and telecommunications-related firms, such as NEC and Sony, are in quick succession securing research and development footholds in California's Silicon Valley. The objective is to facilitate tracking the latest business trends. Silicon Valley, which is the birthplace of the semiconductor industry, has recently been keying on software and other information-related venture businesses in upgrading business information transmission features. The Japanese companies are rushing to stem U.S. hegemony in the multimedia field, in which Silicon Valley has set the de facto standard.

In August, NEC will set up a multimedia software development center in San Jose. Last fall, it also began a gradual relocation of its personal computer division from outside Boston to Silicon Valley to combine its hardware and software divisions into one multimedia unit.

In addition to the "ADI Development Center," which Toshiba opened in San Jose on 1 July to pursue the development of new enterprises, last summer, Sony also established in San Jose its "Research Laboratories," a research and development unit to which Managing Director Kenji Hori was permanently posted in May this year.

Furthermore, Casio Computer Company has opened a research and development center to focus on the development of portable information terminal and radio telecommunications technologies. Another company, Just System (Tokushima City, president, Kazunobu Ukigawa), which is a word processing software maker known for its "Ichitaro," has set up a business and research subsidiary, which commenced operations this month.

Japanese companies are securing an R&D foothold in Silicon Valley because "new venture businesses are born there, and advanced technologies in the personal computer and multimedia fields are constantly emerging," according to NEC Executive Director Kenjiro Nitta. Japanese firms have also begun to actively explore ways of collaborating with universities, research institutes, and venture businesses.

Major Japanese Businesses With R&D Footholds in Silicon Valley

Corporation	Date Established
NEC	
Multimedia/Software/C&C Research Laboratories	Aug 95
NEC Technologies Relocation from east coast	began fall 94
Toshiba	
ADI Development Center	Jul 95
Sony	
Research Laboratories	Apr 94 (director posted in May 1995)
Casio Computer	
US R&D Center	Oct 94

For several years, some semiconductor factories and other high-tech manufacturers have been making an exodus from Silicon Valley because of a steep rise in, among other things, the cost of labor. On the other hand, "well-established" businesses, such as Intel and Hewlett Packard (HP), as well as newcomers Oracle Software and General Magic, are experiencing tremendous growth. The boom in setting up businesses in Silicon Valley is expected to continue, further strengthening the valley's position as a brain center.

Tokyo To Tie Up With U.S. on Securities Probes

OW0508065995 Tokyo KYODO in English
0621 GMT 5 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 5 KYODO — The Ministry of Finance (MOF) and the U.S. Securities and Exchange Commission (SEC) will conclude an accord to cooperate in investigations of securities trading beyond national borders, ministry officials said Saturday [5 August].

The ministry aims to ink the accord by the end of the year, they said.

Such cooperation agreements are already in force among the United States and European countries, but between the U.S. and Japan, there is only a memorandum signed in 1986.

"Under that memorandum, there is no specific scope of cooperation determined. It is just an incomplete thing," said an official of the ministry's securities bureau.

He said the number of securities deals beyond national borders has been increasing steadily, reflecting global financial and capital liberalization.

The number of such deals involving foreign brokerages and investors — to which the ministry and Japan's Securities and Exchange Surveillance Commission do not have rights to investigate — is uncreasing.

Thus, the ministry wants to establish cooperation on securities dealings investigation not only with the U.S. but also with Asian and European securities watchdogs, the officials seid.

Such an accord would allow the inistry, for example, to question at the SEC's request certain sectors suspected of violating U.S. securities law and pass the information to the U.S. commission, while the SEC could do vice versa.

The officials said, however, several problems remain before establishing the cooperation. The problems include those stemming from differences in law requirements between Japan and the U.S.

Under Japanese law, for example, information obtained for an administrative purpose cannot be used to take criminal action.

The Finance Ministry will tell the SEC not to give information that it obtains in Japan with its capacity of administrative authority to U.S. investigation authorities.

On the other hand, the ministry can take administrative deposition action against certain sectors with information obtained through the SEC, but the Japanese

Surveillance Commission cannot take action with the same information from the SEC, according to the officials.

Hayashi Comments on U.S. Forces Cost Sharing

OW0908020495 Tokyo ASAHI SHIMBUN in Japanese 8 Aug 95 Morning Edition p 6

[Remarks by Sadayuki Hayashi, administrative vice minister of foreign affairs, at a news conference on 7 August; place not given]

[FBIS Translated Text] Commenting on negotiations with the United States to sign within FY95 a new special agreement on Japan's share in the expenditures of U.S. Forces Japan, Hayashi said: "There will not be any major change in the existing system of cost sharing. However, we are discussing how to improve quality as much as possible within such a framework."

Hayashi reiterated his intention to seek U.S. understanding by not modifying the present framework of cost sharing but by considering the scope of projects covered in this framework in a more flexible manner.

Editorial Views Security Ties With U.S.

OW0908114095 Tokyo TOKYO SHIMBUN in Japanese 7 Aug 95 Morning Edition p 5

[Editorial: "Japan Urged To Come Out of Glass House"]

[FBIS Translated Text] Various questions are being raised and various discussions are being held about the Japan-U.S. Security Treaty [JUSST], a "house of security" in which Japan has long lived. Will Japan continue to live in that house? Or will it.... As for "security," the elderly people may "recall the evening of 16 July 1960." That evening, a struggle to block an amendment to the JUSST was waged near the Diet building. The struggle peaked when a female student from Tokyo University died. The next morning's newspapers in Tokyo unusually ran a joint statement "deploring the struggle as a move that could plunge parliamentaranism into a crisis."

The nationwide struggle against the JUSST, aside from the theological debate in the Diet and the sporadic struggle waged by ultraleftists, has virtually disappeared. And the struggle has become a refraction entrenched in the foundation of Japanese politics and diplomacy during the post-war years.

Japan Has Pursued a Practical Economic Policy

The turning point in the U.S. occupation administration aimed at incapacitating Japan's military strength came earlier than expected. The turning point was created by the conclusion of the Sino-Soviet Friendship and Alliance Treaty in February 1959 and the Korean war, which broke out on 25 June 1950. The East-West Cold War turned into a "hot war" shortly after the end of World War II. Both Japan and the United States responded immediately to the hot war. The Police Reserve Corps, which was later reorganized into the Security Corps and then into the Self-Defense Forces, was organized. In 1951, Japan regained its independence under the Japan-U.S. San Francisco Peace Treaty. That year, Tokyo and Washington concluded the (old) JUSST which allows the United States to keep its armed forces stationed in Japan.

When we think of Japan's defense, the major question is raised: "Against which nations should Japan defend itself?" It goes without saying that the JUSST was concluded by two countries that regarded the Soviet Union and East European nations as hypothetical enemies.

In the course of the "East-West" Cold War, East-West confrontation actually surfaced in Japan. Debates were held on whether Japan's rearmament was wrong or good. A group, that partially supported the Japan-U.S. Peace Treaty was in confrontation with another group that fully supported the peace treaty. The structure of ideological confrontation became clear in Japan as a reflection of the global Cold War. In political circles, the conservative forces formed a single party. Since the inauguration of the 1955 system [under which the Liberal Democratic Party and the Social Democratic Party of Japan dominated the Japanese political arena], the structure of ideological confrontation took hold in Japan. While the Liberal Democratic Party [LDP] advocated the need to uphold the Japan-U.S. axis and the JUSST, the Social Democratic Party of Japan [SDPJ] upheld the policy of Japan's demilitarization and neutrality. Under the "stable balance between the LDP and the SDPJ," debates on the JUSST were held and were completely unconstructive as an absolutely abstract confrontation "inside the glass house."

What was the rise in the struggle against the JUSST in 1960?

What the Japanese people, who witnessed the devastation of their nation after Japan's defeat in the Pacific war, vowed when they rose up from the blankness of mind was that "we will not repeat this tragedy." Many Japanese people wished to build Japan into a peaceful and prosperous nation that would not be hostile toward all other nations of the world.

The struggle against the JUSST assumed the aspect of these pure feelings aside from the dimension of ideology.

The struggle was a resistance out of a pailful soul-searching of history with Japan clearly siding with the West in the East-West Cold War.

The opposition, however, was said to be overly naive in a world entering a fierce Cold War era. In the end, Japan embraced "practical politics." Japan adopted a policy of economic development in keeping with the thinking of former Prime Minister Shigeru Yoshida after entrusting its national security to the United States for 40 years.

In an Era When It Is Uncertain Which Nations Are Japan's Enemies ....

The JUSST is logically contradictory. The most serious logical contradiction is that Japan, which must strongly advocate the abolition of nuclear weapons as the sole nation hit by atomic bombs, is protected by the nuclear umbrella of the United States. Under the 1955 system, debates on the nuclear issue continued endlessly in the Diet and the antinuclear struggle continued sporadically.

The resulting perception gap gave rise to various tragic comedies.

In May 1981, to cite an example, former Prime Minister Zenko Suzuki held summit talks with the U.S. president, and they issued a joint statement at the end of the summit talks. He learned of the inclusion of the term "allied relations" in the joint statement and hurriedly clarified his view that the allied relations between Japan and the United States does not assume any "military aspect," triggering a backlash from the United States. The fuss caused by his remark ended with the resignation of Masayoshi Ito as foreign minister. In May 1983, former Prime Minister Nakasone stated in an interview during his stay in the United States to attend the summit talks of industrialized nations, that Japan is an "unsinkable aircraft carrier." His statement came as a shock to the Japanese people.

As the rapid development of Japan's economy has put pressure on the U.S. economy, concerns over the JUSST have spread across the United States. As an example of the concerns, there has been the argument on "Japan's free ride on defense."

Article 5 of the JUSST, a key article of the treaty, provides for mutual defense. The scope of its application is limited to the territory, territorial waters, and territorial sky of Japan because the Japanese Constitution prohibits Japan from dispatching its troops overseas and exercising the right to collective self-defense. Under the Constitution, Japan can defend the United States only in the event of foreign attacks on U.S. military bases in Japan.

The argument for "Japan's free ride on defense" is based on a unilateral interpretation of the JUSST. The argument and the Japan revisionism arising from U.S. frustrations with Japan bent on economic gains have combined to escalate the criticism of Japan in the United States. The two countries have walked this unfortunate road.

The significance of maintaining the JUSST is certainly being questioned following the end of the Cold War in which the East block collapsed. The question is being raised: "Against which nations does the JUSST defend Japan?" It has come to be hard to clearly answer this question.

In February of this year, the Clinton administration compiled a new report on the U.S. strategy for the East Asia and Pacific region and Assistant Defense Secretary Nye was in charge of compiling the new report. The new report said the JUSST is important for the stability and development of Asia in this post-Cold War era. The Japanese Government is "upholding the JUSST." It is too risky to amend the JUSST.

Tokyo, Washington Urged To Aim To Build a Structure for Genuine Peace

It is true that Japan is in an era when various imbalances between the two countries may shake up their overall relations. Both Japan and the United States are now urged to make efforts to build a structure for genuine peace from their new point of view without turning their eyes from sticky bilateral issues.

Editorial Urges USFJ Strength Cutback

OW0508064595 Naha RYUKYU SHIMPO in Japanese 4 Aug 95 Morning Edition p 5

[Editorial: "Formulate a New Accord on Expenses for Stationing U.S. Forces in Japan from a Post-Cold War Perspective"]

[FBIS Translated Text] Foreign Minister Kono and Secretary of State Christopher have agreed that a new special treaty should be concluded when the current special treaty on expenses for the U.S. Forces in Japan [USFJ] expires at the end of March next year, Japan has continued to increase its share of expenses for stationing the USFJ, accepting the U.S. requests, and we are concerned lest the new treaty should lead to even more burdens for Japan.y

The Cold War is gone, and there has been a change in circumstances. We urge the government to negotiate with the U.S. Government, suggesting that it scale down the USFJ and reduce maintenance expenses.

It was in 1978 that Japan started to share the USFJ maintenance expenses. It began by paying part of the salaries of Japanese employees working on the military bases. Since then, Japan has come to bear even the costs of constructing houses and barracks for U.S. military personnel and their dependents. On Okinawa, where main components of the USFJ are stationed, such military operations facilities as fighter airplane hangars have been built at the expense of Japan.

In 1991, the Japanese and U.S. Governments concluded the first special treaty defining the specifics of the Status-of-Forces Agreement [SOFA] and agreed in it that Japan would assume the cost of utility charges for U.S. military households as well as all of Japanese employees' pay. The coverage of expenses tends to expand indefinitely, and the fact is that Japan is now paying for all expenses except for U.S. personnel's pay and such maintenance costs as those for training and fuel.

Assisting With Expenses for Unit Moves

For instance, the USFJ has revealed it is thinking about moving part of the live ammunition exercises now conducted on Okinawa to training grounds on Japan proper and also about reducing the number of firing exercises conducted over Okinawa Prefectural Highway 104. These proposals are three major issues concerning military bases in Okinawa.

These changes reflect an acceptance of Okinawan residents' requests to stop live ammunition exercises over the prefectural highway, but one condition given is that Japan should bear the expense of moving the troops and the equipment used in the exercises. For us Okinawans, who are taxpayers as well as victims of the exercises, this reasoning is hard to follow.

A similar case is relocating night-time landing and takeoff practice (NLP) of aircraft-carrier planes from Atsugi Air Base (in Kanagawa) to Iwo Jima. The U.S. Marine Corps is gradually moving NLP functions to Iwo Jima in order to alleviate the noise problem (in Atsugi). Every time an NLP is conducted, nearly 400 U.S. military personnel, plus equipment, are transported to Iwo Jima, and about 15 Air Self-Defense Forces [SDF] transport planes are employed to transport them. The transportation costs, now borne by the USFJ, run to about 100 million yen each time, including fuel. But the USFJ is trying to get Japan to take charge of such costs as well.

USFJ maintenance expenses, which have been borne by Japan from the "budget out of consideration" for the USFJ, have been limited to the expenses "for logistics not concerned with combat operations," but they are now about to be expanded to cover "maintenance expenses," including expenses for combat, training, and exercise operations and fuel expenses.

Japan's sharing of the USFJ maintenance expenses comes out of an irrational interpretation of the SOFA made in consideration of U.S. requests. The Japan-U.S. SOFA (Article 24) states: "Japan shall not bear any expenses necessary to maintain the U.S. forces, and the United States shall take charge of all such expenses." This provision notwithstanding, Japan paid 602 billion yen in expenses for base employees in 1978, and the expenses borne by Japan have since expanded in scale and actual amount. The government repeatedly explains, in reply to questions in the Diet, that the SOFA clearly states Japan should not pay for expenses for fuel or expenses incurred in combat, training, and exercise operations. But there is a strong possibility that such explanations will turn into ghosts.

In reference to the new special agreement to apply from 1996, the U.S. Government for a while said Japan should even take charge of costs of repairing U.S. vessels. U.S. pressure on Japan to take on more burdens is likely to increase.

First of All, Troop Strength Should Be Cut Back

Speaking on the question of revising the special treaty on USFJ maintenance expenses at a Japan-U.S. defense summit meeting in May, Defense Agency Director-General Tamazawa said: "The fiscal situation is very tough. It is very difficult to obtain the understanding of the people and the Diet on continued increases in the expenses. We have no choice but to manage within the current total framework."

In response, U.S. Defense Secretary Perry said: "We appreciate Japan's support for the USFJ, but we hope Japan and the United States will arrive at an agreement that is satisfactory to both countries. Walter Slocombe, principal deputy undersecretary of defense for policy, who was also at the meeting, expressed dissatisfaction with Japan's position, saying, "We can understand Japan's fiscal circumstances, but we hope you will consider the U.S. request."y

The reason U.S. officials are so desperate is the USFJ's "own difficult money situation." Since the budget for the USFJ has in effect been reduced by the appreciation of the yen, the USFJ has been compelled to scale down its exercises and to cut other expenses.

Since the coalition government started in Japan, there have been attempts to reduce the national defense budget to reflect the new post-Cold War circumstances. The growth rate for the defense budget in 1994 was contained at 0.9 percent more than the preceding year by the Hosokawa government, and the budget for 1995 was contained at 0.855 percent by the Murayama government. In other words, the budget growth rate has kept on decreasing over this period.

But if we really want a "disarmament-oriented" budget appropriate for the post-Cold War era, we should first discuss and study how the security system should be reorganized now that the assumed enemy, the old Soviet Union, is gone. Discussions should include how to revise the Japan-U.S. security system. It can be said that the troops, particularly those on Okinawa, continue to be stationed in Japan out of habits formed in the days of the Cold War. A study should be done without delay to see if troop strength needs to be maintained at the present level.

We think a drastic reduction of USFJ strength is fully possible. In the 1995 government budget, the amount to be allocated for fulfilling the special treaty is 147.7 billion yen. If the troop strength of the USFJ is reduced and more bases are returned to Japan, a drastic cutback in USFJ maintenance expenses should be possible.

MITI To Assist Coal Mining Development in Asia

OW0808124695 Tokyo ASAHI SHIMBUN in Japanese 6 Aug 95 Morning Edition p 9

[FBIS Translated Text] The Agency of Natural Resources and Energy [ANRE] under the Ministry of International Trade and Industry [MITI] plans to launch "a comprehensive program to support development of coal mining technology" starting next fiscal year to cooperate with Indonesia, China and other Asian countries in their coal mining development. With the development of the regional economy, the demand for energy in Asia is expected to increase by a large margin. However, if Asia's dependence on petroleum increases, it is inevitable that Japan's energy security will be affected. Therefore, the program aims at promoting utilization of coal by providing these countries with Japanese funds and technology to develop coal mining in an efficient way.

According to the support program, a project for joint development of an efficient mining system will first be launched at the Ombilin [as transliterated] Coal Mine on the island of Sumatra in Indonesia. Although the mine has good prospects because of its large reserves, it has been unable to increase its output due to out-of-date technology. In the budget request for the next fiscal year, the government plans to appropriate tens of millions of yen for developing the proper mining technology for this mine within about five years. In the future, the government plans to expand its technological assistance to other mines in Indonesia and China.

According to ANRE, as of late 1990, the world had confirmed reserves of about 1.4 trillion tons of minable coal. About 20 percent of the reserve is in Asia, but Asia's mining technology is still poor. The efficiency rate of mining technology is said to be below one-fifth that of Japan.

On the other hand, Asia's future demand for energy will surge. The Panel on International Energy under the Comprehensive Energy Research Committee (an advisory council to the MITI minister) has compiled a report on the prospects for energy demand. According to the report, energy demand in 11 countries in Asia, including Japan and China, will continuously increase at four percent per annum beginning in 1992, and will become double the 1992 demand in 2010. At the same time, Asia's dependence on petroleum produced in other regions will increase to about 70 percent from the current rate of 55 percent.

In this connection, the development of Asia's own energy other than petroleum will also ensure Japan's energy security.

Kono Vows To Successfully Host APEC Forum

OW0808145395 Tokyo KYODO in English 1445 GMT 8 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 8 KYODO — Reappointed Foreign Minister Yohei Kono, although admitting he had wanted to quit his post, vowed Tuesday night [8 August] to make an all-out effort to successfully host the Asia-Pacific Economic Cooperation forum (APEC) in November.

Kono said in an interview that he had thought it was important that a large-scale reshuffle of the cabinet of Prime Minister Tomiichi Murayama, including the posts of foreign and finance ministers, be carried out.

But he had accepted Murayama's request to stay on in order to support Murayama, he said.

During discussions on the cabinet shake-up, Kono, who is also deputy prime minister and the head of the Liberal Democratic Party (LDP), the major bloc in Murayama's tripartite ruling coalition, reportedly asked Murayama to relieve him from the pressing duties as foreign minister to concentrate on his bid for reelection as LDP president in late September. His two-year term as LDP chief ends Sept. 30.

Kono told a press conference prior to the interview that he wants to make utmost efforts to successfully hold the upcoming APEC meeting in Osaka, one of the great diplomatic tasks facing the Murayama government.

The Murayama administration places great importance on the APEC meeting, he said, noting that the prime minister had instructed all cabinet ministers to cooperate to ensure its success.

Kono also said it is crucial to successfully carry out the planned visit to Japan by U.S. President Bill Clinton after the APEC meeting.

Turning to the planned nuclear tests by France, Kono reiterated Japan's stance to seek withdrawal of the plan both bilaterally and through international conferences.

He refused, however, to comment on what kind of action Japan might take if France goes ahead with the nuclear testing from September, saying it is more important at this stage to study measures to halt the plan.

"France is one of the European countries which have a long relationship with Japan. Since Japan and France have enjoyed good relations up to now, it would be regrettable if a problem such as this were to harm the ties," Kono said in the interview.

"But the nuclear problem is not something that can be ignored. We will continue to make utmost efforts to call for the withdrawal of the plan and for the early conclusion of the comprehensive test ban treaty (CTBT)."

On relations with North Korea, Kono said Japan is waiting for Pyongyang's reply to Tokyo' calls to resume negotiations for the normalization of bilateral relations.

Turning to the Middle East, Kono said Japan should decide whether or not to participate in UN peacekeeping operations in the Golan Heights before Murayama makes his planned visit to the Middle East in September.

Kono also indicated that Japan will continue to hold off its decision on yen loans to Iran for the time being, saying Tokyo is "carefully considering" the matter and that a "major breakthrough" is unlikely in the near future.

The reappointed foreign minister said he plans to visit Australia later this month to attend a bilateral cabinet-level meeting.

Textile Import Talks With PRC Slated 10-11 Aug

OW0808144595 Tokyo YOMIURI SHIMBUN in Japanese 8 Aug 95 Morning Edition p 7

[FBIS Translated Text] The Ministry of International Trade and Industry [MITI] will hold bilateral talks with China on 10-11 August to discuss its plans to implement safeguards to curb rapidly increasing textile products imports from Asian countries. The talks will be hosted by MITI in Tokyo at the request of China. Representatives from China's Ministry of Foreign Trade and Economic Cooperation will visit Japan to discuss the matter with MITI advisers in charge of the textile issue.

It is expected China will ask MITI to postpone implementation of the safeguards by explaining its voluntary restriction on imports to Japan, which has been in effect since January.

Nosaka Says Cabinet To Tackle Economy

OW0908041795 Tokyo KYODO in English 0327 GMT 9 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 9 KYODO — The second cabinet of Prime Minister Tomiichi Murayama will strive to spur Japan's ailing economy, a spokesman said Wednesday [9 August].

"As the prime minister said yesterday, ours should be a cabinet to bolster the economy," Chief Cabinet Secretary Koken Nosaka told a news conference.

While promising anew to formulate a second supplementary budget for fiscal 1995, which began April 1, Nosaka also pointed to the need for further deregulation in Japan.

Nosaka, the closest aide to the socialist premier, was appointed new chief cabinet secretary in Tuesday's shakeup of the Murayama cabinet, in which he was formerly construction minister.

Apparently reflecting Murayama's intention to get the nation's economy back on a recovery path, private economist Isamu Miyazaki was named as new chief of the Economic Planning Agency (EPA).

Miyazaki, president of the Daiwa Institute of Research and a former vice EPA minister, is the only appointment from the private sector in Tuesday's cabinet changeover.

Takemura Hints at Economic Stimulus Package

OW0808160795 Tokyo KYODO in English 1600 GMT 8 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 8 KYODO — Reappointed Finance Minister Masayoshi Takemura suggested Tuesday [8 August] that the government may work out another economic stimulus package, if necessary, before compiling a second extra budget for the current fiscal year this fall.

Takemura said at a news conference after the first meeting of the reshuffled Cabinet of Prime Minister Tomiichi Murayama, "in order to meet economic conditions that are changing every moment, we have to add necessary policies one after another."

Takemura replied, "if necessary," when asked about former Economic Planning Agency head Masahiko Komura's proposal to craft another comprehensive pump-priming package before the extra budget for the year ending next March 31.

On the controversial issue of settling Japanese financial institutions' bad loans, Takemura said he wants to put together by this fall basic measures applicable to all cases.

Takemura said he shared views of Hosei Norota, newly appointed agriculture, forestry and fisheries minister, that public funds should not easily be used in the disposal of bad loans.

Takemura pointed to the need for adopting approaches to public involvement in the issue which are easy for the people to understand.

EAP Chief Miyazaki on Midterm Economic Issues

OW0908081995 Tokyo MAINICHI SHIMBUN in Japanese 9 August Morning Edition p 11

[FBIS Translated Text] Isamu Miyazaki, director general of the Economic Planning Agency, said at a news conference held at the Prime Minister's Official Residence on the evening of 8 August: "The prime minister asked me to do three things: One, respect the tripartite policy accord; two, obey the decision of the cabinet faithfully; and three, take measures to deal with the appreciation of the yen and to stimulate the economy." Talking like an economist, he spoke slowly and clearly about his policy stance.

He was offered the position on the morning of 8 August. Miayazaki disclosed that Finance Minister Masayoshi Takemura approached him, and subsequently, a phone call also came from Construction Minister Yoshiro Mori. He remained cool about his appointment as a cabinet member, saying: "I was neither overjoyed, nor did I accept the job grudgingly."

With regard to the difficult medium-term issues, such as economic structural change, which the coalition government will have to grapple with, Miyazaki indicated his determination "to deal with them boldly."

Takemura Comments on High Yen, Budget, Election

OW0908054795 Tokyo KYODO in English 0533 GMT 9 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 9 KYODO — Finance Minister Masayoshi Takemura said Wednesday [9 August] the current dollar-yen exchange rate does not yet reflect economic fundamentals.

"Exchange rates are still in the process of reversal," Takemura said in an interview with KYODO NEWS SERVICE.

Top finance officials from the Group of Seven (G-7) major nations agreed in April on an "orderly reversal" of the weakening dollar.

In Tokyo Wednesday, the dollar was quoted at the upper half of the 91 yen range.

Since the beginning of the year, the dollar has plunged about 12 percent against the yen although it is way above record lows set in April.

In a move to buoy the dollar's value, the Finance Ministry announced a package of measures Aug. 2, which is aimed at promoting foreign investments and loans by major Japanese institutional investors such as life insurance firms.

Takemura said the government will continue to make much greater efforts to reverse the dollar's weakness.

Concerning an additional supplementary budget for the current fiscal year ending next March 31, Takemura said compilation procedures will continue into September, but added that the budget's completion depends on the Diet schedule.

"We will set about preparations to put it together at the earliest possible date as part of pump-priming measures during the second half (of fiscal 1995)," Takemura said.

The second extra budget will also help finance the reconstruction of areas devastated by the Jan. 17 great Hanshin earthquake, he added.

Reconstruction-related measures will be a priority both in the extra budget and in an initial budget for next fiscal year, Takemura said.

On the controversial issue of disposing of nonperforming loans held by Japanese financial institutions, Takemura said, "some public involvement may be inevitable," referring to the cases of three Tokyo-based credit unions — Tokyo Kyowa Credit Association, Anzen Credit Bank and Cosmo Credit Corp.

Takemura declined to elaborate on possible approaches, however, before studying an interim report on basic measures due out Sept. 21 by the Financial System Research Council, an advisory body to the finance minister.

The government will judge the possibility of using public funds "clearly and quickly" when applying the basic steps to each case, Takemura said.

Asked whether he would use taxpayers' money to dispose of ailing housing loan companies, known as "jusen," Takemura stressed the need for broader discussion by the people and the Diet on various ways of using public money.

"Because of the potentially huge figures, it cannot be decided only by the judgment of the government or a cabinet minister," Takemura said.

Since the bad-loan disposal issue takes top priority in view of brightening Japan's economy, the government will take specific actions within the next six months or one year so that the issue can be settled in five years, he said.

As economic measures, traditional domestic demand-boosting approaches are not sufficient to foster new businesses and create new jobs, Takemura said.

Takemura stressed the need for further economic deregulation, saying, "although much of this type of deregulation may affect people's interests, we have to overcome it."

He said he will visit smaller businesses, service industries and the like around once a week after the summer holidays to assess economic conditions on the spot.

On the political scene, Takemura said a general election for the House of Representatives will not take place within this year because the reshuffled cabinet of Prime Minister Tomiichi Murayama has to take on the tasks of pump-priming measures, including the extra budget, and compiling the fiscal 1996 budget.

The lower house election must be held in 1997 at the latest and is widely expected to be held much earlier.

Takemura said he expected a Diet dissolution and general election next year, though he did not mention any specific timing.

As the head of new party Sakigake [Harbinger], the smallest of the three ruling parties, Takemura showed his intention to create a third party in time for the next general election to confront the Liberal Democratic Party (LDP), the largest coalition force, and the opposition Shinshinto (New Frontier Party).

As some public opinion polls have shown that more than half the people support neither the LDP nor Shinshinto, another party is necessary to meet the expectations of such people, Takemura said.

The third party will consist of a broader spectrum of comrades, not only members of Murayama's Social Democratic Party, Takemura said.

Takemura is confident that the framework of the present ruling three-party coalition will not be changed by the result of a presidential election of the LDP in late September.

"As long as Prime Minister Murayama hangs on, the coalition framework will not be affected, though there might be some personnel changes," Takemura said.

Hashimoto: MITI To Draft Scenario for Economy

OW0808170295 Tokyo KYODO in English
1640 GMT 8 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 9 KYODO — The Ministry of International Trade and Industry (MITI) will craft a "scenario for rebuilding the economy" next month, newly reappointed MITI Minister Ryutaro Hashimoto said early Wednesday [9 August].

The scenario, based on advice from the ministry's Industrial Structure Research Council but drafted by MITI, will seek to clear away worries and unclarity about the economy through such measures as more deregulation and the boosting of government spending for research and development, Hashimoto told a news conference.

"Everybody seems to be losing confidence" in the economy's future, he said shortly after Prime Minister Tomiichi Murayama announced the decision to keep him and two other key ministers in place in his "economic recovery cabinet."

In the current economic straits, companies are cutting back on research and development, so the government must step in to establish the "nucleus" of future businesses to vitalize the economy, he said.

The expected autumn supplementary budget should be "quite large," Hashimoto said.

He cited talk of a 10 trillion yen supplement for the current fiscal year budget but said attention must be first paid to content and arranging which projects should be put in the fiscal 1995 supplementary budget, which in the coming fiscal 1996 budget for the year starting next April, and which should be in both.

On trade relations with the United States, he said disputes should be settled bilaterally if possible but that "depending on the issue, some should be handled multilaterally," especially as the World Trade Organization was just launched this year.

He added that Japan does not intend to approve of the U.S. use of its Section 301 trade law provision, which includes the threat of sanctions against countries Washington deems unfair traders.

Asked about using taxpayer money to help solve the bad-loan problem weighing down Japan's financial institutions, Hashimoto said the debt-laden housing loan companies in particular need public money to tackle their bad-debt burden.

But he cited "various" arrangements and sources, such as agricultural lending institutions. New Farm Minister Hosei Norota opposed public money for the housing loan firms at an earlier news conference.

Hashimoto said he personally thinks a slow, gradual approach might be best for working off the mountain of bad debts left on financial institutions' books after the collapse of the speculative "bubble" of asset values in the late 1980s, but he said he has not concluded what way is best.

Newly reappointed Finance Minister Masayoshi Takemura said in an earlier news conference that the problem loan issue is too dire for Japan to take its time in solving it.

Hashimoto also said "political preparations" for November's summit in Osaka of Asia-Pacific Economic Cooperation Forum (APEC) members is "quite delayed," despite thorough bureaucratic preparations, and that host Japan must make all-out efforts to host the summit smoothly.

He said that during a just-ended trip to last year's host Indonesia and next year's host the Philippines, Presidents Suharto and Fidel Ramos "highly praised" Japan's efforts to prepare for the summit that is to flesh out details of last year's APEC vow of regional free trade by 2020.

But the leaders told him further efforts are needed at the cabinet and premier level, Hashimoto said.

BOJ Head Provides Brighter Economic Assessment

OW0908092095 Tokyo KYODO in English
0829 GMT 9 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 9 KYODO — Bank of Japan (BOJ) Governor Yasuo Matsushita on Wednesday [9 August] painted a slightly brighter picture for Japan's economic outlook, citing a pickup in stock prices and the yen's depreciation against the dollar.

The BOJ maintains its assessment that economic recovery is somewhat at a standstill but the recent improvement in stock prices and the yen's downswing against the dollar may signal a future course for the better, Matsushita said during a press conference.

He also said deterioration in corporate confidence has paused.

The BOJ's policy of guiding market interest rates lower will have favorable effects on the economy, he added.

Under the circumstances, Matsushita rejected the idea of cutting the BOJ's discount rate at an early time from an already record low of 1 percent.

Matsushita brushed aside concern that market interest rates' recent sinking below the 1 percent discount rate will cause inconvenience in the BOJ's money operations.

The BOJ is taking "flexible fund adjustments," such as outright bill-buying operations through auctions, he explained.

Matsushita said the recent appreciation in the dollar's value against the yen has helped to correct the excessive strength of the Japanese currency "to some extent."

A set of measures the Finance Ministry announced last week as a way to stimulate corporate investment abroad has had favorable effects on the currency market, he said.

Matsushita denied suggestions that the central bank might manage money supply as a means of smoothing its monetary policy.

"At present, the BOJ has no plans to take such an approach," he said.

On bankrupt Cosmo Credit Corp., Matsushita cited the possibility of using Tokyo Kyodou Bank as an organ to absorb the Tokyo credit union.

But he refrained from further comments on how to liquidate Cosmo, except to say that "at present, the Tokyo Metropolitan Government is working on details jointly with the BOJ and the Finance Ministry."

Referring to the liquidation of two debt-ridden Tokyo credit unions, Matsushita said both cases have the potential to undermine Japan's financial system.

A scheme to use taxpayers' money to settle the debts of the two scandal-tainted credit unions is drawing fire from the general public.

On the settlement of the problem of ailing housing loan companies, Matsushita said no consensus has been reached on the use of public money.

Housing lenders and related financial institutions should take the initiative in solving the issue on the principle of self- responsibility, he said.

Housing loan firms are entities categorized as so-called "nonbanks" and are not financial institutions, but their lending base has been so extensive that the issue, if handled inappropriately, would affect Japan's financial creditability, he said.

Whether or not to use public money for the settlement of the issue should be left to discussion at a government advisory panel, which has just begun, said Matsushita.

He said he expects the issue to be settled in a manner that would win public consensus.

Igarashi Views Defense Budget Negotiations

OW0508113095 Tokyo ASAHI SHIMBUN NEWS CONFERENCE REPORT in Japanese 0854 GMT 4 Aug 95

[News Conference by Chief Cabinet Secretary Kozo Igarashi with unidentified reporters at the Prime Minister's Official Residence at 0701-0707 GMT on 4 August]

[FBIS Translated Excerpt] [Igarashi] Any questions?

[Reporter] The defense budget was increased by 2.9 percent and a large portion of it will be earmarked for expenditures for future fiscal years. This is a very low increase. However, can we understand that host-nation support for the U.S. Forces in Japan will also be kept down as a matter of course?

[Igarashi] That is an overall growth rate. Some people may think that 2.9 percent rise represents a significant increase. The reality is that the amount of expenditures for future fiscal years increased by 100 billion yen from the previous year. If this amount is excluded, the increase rate becomes lower than fiscal 1995. I think actual compilation of a budget will be very difficult.

However, we are telling administrators to do their best in earmarking expenditures for improving troops' living environment or specific training; in particular for disaster prevention measures. I think it will be very difficult to do if you take these points into consideration.

As you know, negotiations between the three parties over the defense budget were focused on next fiscal year's payments for contracted frontline equipment. According to the three parties' written agreement, we were supposed to exert effort, on the basis of our record of performance for fiscal 1995, to further reduce payments for contracted frontline equipment in fiscal 1996. Therefore, we made a major reduction, a 6.5 percent reduction, in fiscal 1995 comparing to the previous year. However, since we are to make further reduction on the basis of our performance this year, fiscal 1996 budget compilations will be very difficult. We agreed on these matters. [Passage omitted: contracted frontline equipment]

[Reporter] Indeed, the cabinet endorsement goes into details and, as you said, budget compilation will be very difficult. On the other hand, the Ministry of Foreign Affairs admits that the United States asked Japan to increase the sympathy budget. What would you do if the United States says not to trim the sympathy budget even if Japan has to reduce the budget for the Self-Defense Forces?

[Igarashi] You are talking about an issue for the future. I think we will have the final discussions with the United States while taking the severe financial situation into consideration. We will do that while seeking U.S understanding, not destroying the fundamental system and reliable relations of the Japan-U.S. security treaty, and, as I said earlier, trying to seek understanding of the United States.

Background of Defense Budget Ceiling Accord

OW0808130495 Tokyo NIHON KEIZAI SHIMBUN in Japanese 4 Aug 95 Evening Edition p 2

[FBIS Translated Text] The ruling parties settled an argument over the defense budget ceiling. The argument was settled with the ruling coalition giving priority to maintaining the coalition's logic — that they have to make mutual concessions to keep the current government. But it is inevitable that discord between the Liberal Democratic Party [LDP] and the Social Democratic Party of Japan [SDPJ] will come to the surface again in the autumn when the ruling parties' full-scale discussions are scheduled to held on what Japan's defense should be like. Therefore, the coalition government formed by the LDP, the SDPJ, and Sakigake [Harbinger] is expected to cudgel its brain over how to maintain the coalition's logic while making efforts to bridge gaps in views on the defense issue.

SDPJ General Secretary Wataru Kubo, during the upper house election campaign last month, said the growth rate of the defense budget for fiscal 1996 should be curbed to below 0.855 percent, thus indicating the party's "disarmament" policy to the public. On the contrary, the LDP, amid a situation wherein it was struggling with the New Frontier Party [NFP] for the votes of those who are related to the Self-Defense Forces [SDF] — the number of such votes is said to exceed 1 million — immediately reacted against Kubo's remark. After the upper house election, LDP executives emphatically said "a necessary increase in the budget should be approved." In this way, the ruling parties have made clear their own positions regarding the defense issue.

When the defense budget ceiling for this fiscal year was decided last summer, the LDP made a concession to the SDPJ because the Murayama government had just been formed with the SDPJ changing its security policies, including the constitutionality of the SDF. But this year, the LDP, making a complete change in its previous stand, took an "offensive attitude" of undermining the SDPJ's proposals, such as possible deferment of payment for equipment purchased in previous years, while entangling Sakigake in the LDP-SDPJ confrontation over the defense issue.

However, ever since the intercoalition coordination started, it has been voiced within the LDP and the SDPJ that "we do not have any intention of making the defense issue break the coalition government" (according to a senior member of the SDPJ Security Research Bureau), and attention was focused on how both parties come to agreement while saving their own faces.

After all, taking into consideration the situation wherein the Murayama government was confused over the issue of a Cabinet reshuffle, the ruling coalition came to agreement on the matter because "further confrontation would help increase distrust of the government" (according to a member of the Coordination Council for Defense of the ruling parties). In this way, they settled the argument without making a political showdown by upgrading the coordination work — which had been made at the policymakers level — to the secretary-general level.

However, through a series of intercoalition talks, it has become clear anew that the ruling parties are in disarray over the defense issue. In the talks, the SDPJ called for a cut in the authorized number of SDF personnel and restraint on the amount of newly-contracted frontline equipment. But the SDPJ's calls virtually did not come up on the main agenda of the talks because the issue of reviewing the defense capability, including a cut in the authorized number of SDF personnel, is to be discussed at a full-fledged session of the government security council, which is to start in the autumn. Still, differences in positions on the defense issue are clear between the SDPJ, which wants to curb the purchase of frontline equipment, and the LDP, which wants to secure expenses for new contracts for the purchase of the next-generation fighter support experimental (FSX), and it is certain that the autumn session of the security council will be stormy.

Editorial Comments on Defense Spending Ceiling

OW0808113095 Tokyo NIHON KEIZAI SHIMBUN in Japanese 3 Aug 95 Morning Edition p 2

[Editorial: "Numbers-Driven 'Arms Reduction' Is A Mistake"]

[FBIS Translated Text] The poor coordination within the ruling coalition parties as they struggle to deal with a ceiling on defense spending demonstrates the low level of Japanese politics. There have been no discussions of the rationale or qualitative issues associated with either defense or arms reduction, because numbers and face-saving are taking the forefront.

For the new Mid-Term Defense Program starting in the next fiscal year, the Liberal Democratic Party [LDP] is seeking a 4.1 percent increase in spending over the previous year. The Social Democratic Party of Japan [SDPJ] wants to limit the increase further, to 0.855 percent over the current fiscal year, emphasizing that it "wants to make the new fiscal year the first year of continuing arms reductions" (according to Wataru Kubo, party secretary general). These are the plans on both ends.

However, since this is politics, where differences are often split, the New Party Sakigake [Harbinger] compromise plan, calling for a 2.88 percent increase, will probably be accepted. However, we cannot help raising some fundamental questions over how previous discussions have been conducted.

First, since the current dialogue is about a "budget ceiling," why is it turning into a debate over decimals? It is also puzzling that the ruling parties avoid addressing the issues at the heart of the debate on defense spending "because right now we are dealing with the ceiling."

Second, in the absence of a national consensus, "arms reduction" is being used as a banner to rally around. Both the SDPJ and Sakigake championed arms reduction during the recent upper house election campaign, emphasizing restraints on defense spending. The SDPJ lost many seats in the election, and Sakigake suffered as well, prompting party leader Masayoshi Takemura to offer to submit a letter of resignation. Therefore, it is hard to say whether this stance by both parties directly reflects public opinion.

Third, during the Japan-United States summit held in January, Prime Minister Tomiichi Murayama promised, "The Japan-U.S. security framework is not just for Japan and the United States but contributes to Asian peace and stability. We will, furthermore, make every effort to pick up the cost of U.S. forces stationed in Japan." However, will he be able to keep this promise to the United States if the SDPJ recommendation of an increase in defense spending of less than 0.855 percent is accepted? As a result of a strict ceiling on expenditures for U.S. forces stationed in Japan last fiscal year, the total amount was not adequately covered at the budget request stage; and when the budget was finally drawn up in December, the account had to be adjusted.

On the other hand, the LDP and Defense Agency explain that as a result of holding back defense spending in fiscal years 1994 and 1995, the burden was shifted to the following fiscal year. I can understand the general argument, but I do not follow the logic of the LDP's prenegotiated "first offer" of a 4.1 percent increase.

How to defend Japan in the post-Cold War era is an issue which should rightfully be deliberated at length in the political arena. Then, a notion of "arms reduction" could be expected to follow as one result of those studies.

Unilaterally reducing its military strength is one of Japan's many options for priming the pump for arms reduction. There are those who feel that this would be dangerous and that the groundwork for arms reduction should proceed first with Japan's neighboring countries. This is not a decision to be made lightly.

Therefore, as we anticipate preparing the budget in December, the budget request ceiling should be set only as a rough figure, and the best decision is to take the time now to hold substantial discussions on how to defend Japan in the post-Cold War era.

Editorial on Political Row Over Defense Budget

OW0808144095 Tokyo SANKEI SHIMBUN in Japanese 5 Aug 95 Morning Edition p 2

[Editorial: "Has the Defense Spending Debate Reached a Conclusion?"]

[FBIS Translated Text] It has been decided that the rate of increase (ceiling) for defense expenditures in FY96 over the previous fiscal year will be 2.9 percent.

The Social Democratic Party of Japan [SDPJ], designating 1996 as "year one of disarmament," advocated the growth rate should be held down to 0.7 percent, below the 0.855 percent in FY95. On the other hand, the Liberal Democratic Party [LDP] claimed that 3.9 percent would be the appropriate ceiling due to the natural increase in expenses for wages, food, and deferred payments for frontline equipment. The result of negotiations between the two sides was a reasonable growth rate covering the natural spending increase.

However, we believe that this debate on defense spending left behind a number of questions that we need to think about.

The SDPJ advocated "year one of disarmament." However, its explanation did not clarify what was to be reduced. The most evident thing would be that contracts for frontline equipment (weapons) are showing a downward trend after reaching the peak in FY90 (with slight increases in FY93 and 94) Furthermore, general commodity expenses, which form the material basis of the Self-Defense Forces' [SDF] activities, have been consistently on the decline over the past four years. With regard to equipment and operational costs, disarmament has already begun.

To support its proposal for a 0.7 percent ceiling, the SDPJ advocated postponing the deferred payments. Yet, is there a need to achieve superficial disarmament to the extent of unilaterally postponing the state's commitments on payments in installments? It is undeniable that the disarmament advocated by the SDPJ is not persuasive. A political party should not mislead national security policy in its desire to project a unique identity.

We also have this to say to the Defense Agency [DA]: In a time of financial difficulty, resourcefulness is called for in making the best use of limited resources. Can the DA claim that it has not wasted any tax money on flimsily-justified expenses for compensation of a patronizing nature, such as the so-called "furiaogi fee" (paid for disturbing agricultural and fisheries activities)? Has the budget been allocated effectively for the sole purpose of making the SDF strong?

Furthermore, additional efforts are in order to reduce deferred payments, which tend to make the defense budget inflexible.

One example is spending on new projects. For instance, the mass production of the Air SDF's next generation support fighter "FSX" [experimental support fighter] should be reconsidered. It is said that mass production cost for one FSX will be more than 10 billion yen. Yet procurement cost of the U.S. Air Force for one Lockheed F-16 fighter, from which the FSX is remodelled, is only $20 million (around 1.8 billion yen at the exchange rate of 90 yen to a dollar) or one-fifth of the FSX. If mass production starts, will the public tolerate the fact that the FSX will take up a substantial chunk of the defense budget? The defense authorities need to think twice about this.

Murayama Statement on Tasks Facing New Cabinet

OW0808165595 Tokyo NHK General Television Network in Japanese 1501 GMT 8 Aug 95

[Statement by Prime Minister Tomiichi Murayama at a news conference with domestic correspondents at the Prime Minister's Official Residence in Tokyo — live]

[FBIS Translated Text] [Murayama] Thank you for staying with us until late at night. Today, I implemented a Cabinet reshuffle. One year and a half has passed since the former Cabinet was inaugurated. We made efforts to settle several pending issues, such as political, administrative, and financial reforms and postwar issues, and gained successful results. After the great Hanshin earthquake last January, the former Cabinet carried out relief operations for earthquake victims, and tried hard to reconstruct the devastated area. At the same time, we studied ways to build cities which can withstand disasters.

We did our utmost to thoroughly investigate several terrorism incidents, including the March sarin nerve gas attacks in the Tokyo subway system, to build the safe nation.

Moreover, I have been trying my best to restore the nation's economy by managing the drastic appreciation of the yen and other difficult economic issues.

My previous Cabinet has been dealing with such difficult tasks in a united way, making the most of its characteristics as a tripartite coalition formed with harmony and mutual trust. I would like to express my sincere appreciation to those who have done their best.

Today's Cabinet reshuffle took place following the upper house election. We must consider the meaning of public opinion shown in the election results — some people urged us to take more effective pump-priming measures, and others wanted tangible actions to secure employment. The opinions the public expressed in the election were very severe for us, and, at the same time, the turnout of voters remained at the ever-lowest level. We must take seriously the fact that the election results showed the public's strong distrust of politics. I reshuffled the Cabinet because I felt the need for a fresh and strong cabinet to respond to such public voices. Particularly, as I have just said, to boost the economy, to secure employment, and to promote those measures, it is necessary to compile the second supplementary budget at an early date so that sustaining economic measures can be taken. At the same time, by taking necessary, comprehensive economic measures, the government wants to somehow apply leverage for economic recovery. Moreover, to activate the economy, we need to promote drastic deregulation, administrative reform, particularly including the opening of information to the public and decentralization of the government. We will also develop new industrial fields. I would like to tell you that we will try our best to carry out comprehensive policies to create job opportunities by developing new indusrial fields.

Murayama Interviewed on Cabinet Reshuffle

OW0908050895 Tokyo NHK General Television Network in Japanese 1507 GMT 8 Aug 95

[Question-and-answer portion of news conference by Japanese Prime Minister Tomiichi Murayama with unidentified domestic correspondents at the Prime Minister's Official Residence in Tokyo, moderated by the dean of the press corps — live]

[FBIS Translated Text] [Dean of press corps] We would like to have, first, senior media representatives ask you about six questions on behalf of the corps, and then have individual reporters pose their questions.

[Murayama] That is fine with me.

[Reporter] The first question concerns the current cabinet reshuffle. Two weeks have passed since 24 July when the upper house election was conducted. We now have the outcome, but even for us reporters, it has been difficult to see what was going on in the selection process. Could you explain to us the purpose of the reshuffle and the process that has taken you such a long time — in a way easily understandable to us?

[Murayama] Since the upper house election, each party has been reviewing the election reshuffle. On those grounds, the coalition parties thought the cabinet should be reshuffled to comply with public expectations for new leaders. It was the ruling parties' common agreement that a cabinet reshuffle was necessary, and thus, the work of selection started. But after all, a coalition government is made up of political parties that have different views. It is important to respect the parties' positions and to narrow their differences of views by furthering understanding and cooperation. A coalition government is different from a single party government. It inevitable that more time is needed to come to a decision. Hence, as far as the process is concerned, I would like to say it has been one that has been done through careful study and consideration.

[Reporter] Initially, you said the reshuffle would be limited to a minimum. But as it turned out, it was a rather big reshuffle except for a few major key posts. Could you please explain to us why you changed your mind? You have also said, so far, that you are emphasizing economic issues. Meanwhile, when the finance minister and the foreign minister wanted to quit their posts, you asked them to remain. It is very difficult for us to understand how you could say that you want to emphasize economic issues, while retaining the two ministers who want to quit. We would like to have your explanation of this point.

[Murayama] In the beginning, there was the understanding that the frameworks of the coalition government by the three parties should be strictly maintained. The coalition government is based on a relationship of mutual trust. So, it is the grand premise that the heads of the three parties hold key cabinet posts in running the government. That is why I asked them to remain at their posts. What was your next question?

[Reporter] I asked you about the scale of the reshuffle.

[Murayama] I never said how big the reshuffle would be — whether it should be of a small scale or a medium scale, or a total reshuffle. From the beginning, I thought that the size of it would be decided in the course of discussions with all the parties. I have never stated a precondition that the reshuffle be of a small scale.

[Reporter] I would like to ask the next question. President Kono of the Liberal Democratic Party [LDP] wanted so strongly to leave the cabinet, and it took so much time for you to dissuade him from doing so. What is your view on Mr. Kono's position, which is believed to be related to the LDP's presidential election?

[Murayama] I am aware that as president of the LDP, which is a big party, he has heavy duties and many difficult issues to work out. I know it is not easy to perform the job of foreign minister, while continuing to bear such big burdens as president of the party. That is why so many views were presented and have been taken into account. But the party's presidential election has never been a factor for me to consider.

Even though I knew it was tough for him, I asked him to stay in the key cabinet post from the perspective of maintaining the three parties' coalition. Another point is the fact that we have the Asian-Pacific Cooperation [APEC] forum meeting coming up November. He has worked so hard on this event. He has so much to do in making the event a success. After all, constancy is important in diplomacy. I asked him to remain in the post from these viewpoints.

[Reporter] My question concerns LDP General Secretary Mori — about how to treat him in giving him a cabinet post. The LDP initially requested creating a minister for overall economy post. And Mr. Nosaka, new chief cabinet secretary, admitted a little earlier today that there was a tug of war between the LDP and the Social Democratic Party of Japan [SDPJ] on whom to name to the post of construction minister. Could you explain what happened?

I have never once mentioned creating a minister for overall economy post. I have never even thought about creating such a post. I would like you to know that.

And I have not heard anything about the frictions that existed between the LDP and the SDPJ over the question of whom to name to the construction minister post.

[Reporter] But if we look back on the process of selection in forming the new cabinet, even though you said it did not have anything to do with the LDP's presidential election, we must say the outcome of the selections was one that we reporters and the public must interpret as having been influenced by it. Will you comment on this?

[Murayama] There are many ways to look at it. As far as I am concerned, as I said earlier, I believe the cabinet reshuffle had nothing to do with the party's presidential election, and should not in the future. The cabinet is responsible to the people. To carry out its important responsibilities, the cabinet must unite in responding to the peoples' expectations. I am sure the LDP's presidential election was not a consideration in reshuffling the cabinet, and I do not believe it should ever be in the future.

[Reporter] This will be last question from the senior media representatives. Some people think the different positions of the ruling parties made the recent cabinet reshuffle difficult, resulting in disarray among the three parties, and thus, damaging the prime minister's power. What do you have to say about such a view?

[Murayama] Views can vary. As I said earlier, a coalition government is bound to have problems of adjusting views and positions of composing parties. It is necessary for the parties to respect other parties' subjective positions and to come to agreements by exchanging views.

In a coalition government, it is impossible for any one person to make a decision and to have the government follow it. It is necessary to assure transparency in the decisionmaking process. The coalition is possible only when the composing parties are linked and tied by relationships of trust. As such, it is inevitable that a little longer time is necessary for the process of making a decision. But making the final decision is my responsibility; the man in charge. There can be many views presented, but the responsibility for making final decisions rests with me.

[Dean of press corps] Now, each news organization, please go ahead with your questions.

[Reporter] Mr. Prime Minister, you reportedly adhered to the idea of giving a cabinet post to SDPJ Secretary General Wataru Kubo. But if the secretary general had entered the cabinet during today's reshuffle, it might have become obscure as to who should take responsibility for the SDPJ's defeat in the recent House of Councillors election. Did you think about this when you considered giving a post to Mr. Kubo?

[Murayama] Only the secretary general should be exempt from regret, or taking responsibility for the party's defeat in the upper house election. All party executives, including the chairman, should do so. The party will review the election results during the extraordinary party convention to be held in September. Also, implementing a cabinet reshuffle and the SDPJ fulfilling its responsibilities to the people are two different things. Therefore, I thought that if possible, Kubo should enter the cabinet and cooperate with us, and I myself asked him to become a cabinet member. But considering the SDPJ's current position and insisting that he would like to support the cabinet as a SDPJ member, Kubo declined my offer.

[Reporter] Earlier you said that there had been no tug of war between the SDPJ and the LDP over the construction minister post. Did you mean you did not hesitate in giving the post to the LDP?

[Murayama] No, I did not. The secretary generals of the two parties discussed who should take the post. During the talks, the SDPJ secretary general might have asserted that the post be given to his party as before. But I presume the talks went smoothly and there was no tug of war. The talks were concluded after the two sides reached a mutual understanding.

[Reporter] Mr. Prime Minister, you have said the new cabinet's main task is economic recovery. The Japanese economy has currently faced many unprecedented issues, such as those concerning the two financially-troubled credit unions and the recent bankruptcy of a credit corporation. Faced with such a situation, how does the reshuffled cabinet intend to achieve economic recovery? Could you tell the people about specific measures to achieve this goal?

[Murayama] The government launched a yen-curbing package before. It also compiled another package in June this year to complement the first one. As I have always said, the government will implement most public works projects in the first half of the year. And to prevent a break in economy-boosting measures, it will compile a large-scale second supplementary budget at an early date. While promoting pump-priming measures, the government will also develop new industries. To lay a foundation for this, it will take measures for the promotion of science and technology. While doing such things, the government will implement specific measures for comprehensive economic recovery. As you pointed out, many problems have cropped up in various fields following the bubble economy's collapse. For example, as you said, there are issues concerning the two credit unions and Cosmo Credit Corporation. Also, we have to deal with the issue of discarding nonperforming loans held by financial institutions. I understand specific measures to deal with these problems are currently being studied. My cabinet needs to have personnel that are fully capable of coping with each issue.

[Reporter] Mr. Prime Minister, some young SDPJ members are also criticizing the recent cabinet reshuffle, saying it was based on the seniority system or by simply passing the posts on to the next person in line. What is your view, Mr. Prime Minister?

[Murayama] I do not think so. The new cabinet members have been studying, as specialists, matters related to their posts. They have been active committee members. Therefore, they are the right men in the right posts.

[Reporter] Several people, including myself, have already asked the same question. But you are the one who made the final decision to have the recent cabinet reshuffle. How would you rate the reshuffle?

[Murayama] The new cabinet was formed a little while ago, so I cannot answer your question on how the reshuffle rates. However, we formed, as I said earlier, a strong cabinet that can deal with the tasks we face for the time being. I hope you will assess the new cabinet according to its actual performance.

[Reporter] A person from the private sector was chosen for the Economic Planning Agency director general post. What do you expect from him?

[Murayama] Mr. Miyazaki, who became director general of the Economic Planning Agency, has advised me on several occasions. As a private person or as nonmember of the government, he has analyzed the economy and studied issues, such as the future of the Japanese economy in the 21st century. Hoping that he would play a role in promoting economic measures from such a viewpoint, I asked him to assume the post.

[Reporter] Judging from the series of events related to the recent cabinet reshuffle, it seems that the government, contrary to your intention, is somewhat loosing its momentum. Although the new cabinet was formed after going through much trouble, some people feel that it too, is a temporary one.

[Murayama] I do no think so. As I have been saying, we reshuffled the cabinet by choosing the right men for the right posts. They are sincere, skilled, and sufficiently capable of handling the tasks we face for the time being.

[Reporter] We cannot relate the new cabinet lineup to what you call, in your catch phrase, the sincere cabinet. However, do you think support by people for the cabinet will increase?

[Murayama] The support rate, as I have been saying, depends on what kind of job we actually perform. I see the new cabinet as a government to boost the economy and a reform promotion cabinet to come to grips with various issues. I think the cabinet should be evaluated based on its performance.

[Reporter] The post in charge of disaster measures was eliminated. What is the reason for this?

[Murayama] It was not eliminated. The National Land Agency director general will concurrently serve in this post. I am sure he will have enough time to do so. Generally speaking, plans for reconstruction have been mapped out and we are in the stage of taking actions for the plans. Therefore, we no longer need a ministerial post specially that purpose. This post can be fulfilled sufficiently by another minister.

[Reporter] Questions were raised in the past regarding the government's crisis management capability. Can you comment on the new cabinet's capability to deal with crisis?

[Murayama] Regarding crisis management, we need, as I have said many times, to mutually study the limitations of what we can do under the current system, or the current legal system, while learning from experiences, including the Hanshin-Awaji earthquake and the sarin gas attacks. During the hijacking, all ministry and agency officials who were in charge of the matter gathered at the Prime Minister's Official Residence. We established a system in which we could obtain accurate information and quickly deal with the situation while acting in concert. At the same time, we are studying, at the Council for Prevention of Disasters, whether or not we need to revise the current legal system.

We are also reviewing the central disaster prevention plan. We need to form a system that is capable of sufficiently dealing with situations, while further studying crisis management.

[Reporter] It has been reported that at the time candidates were being selected for ministerial posts, an attempt was made to coordinate views on the issues related to the 50th anniversary of the war's end. Can you explain the purpose of this attempt? Also, some people feel that the cabinet would not have been able to hold active discussions if the attempt was actually successful. Can you comment on this?

[Murayama] It is not true. What I stated in my keynote speech had been approved by the cabinet. In a way, they are cabinet decisions. Therefore, the cabinet members, needless to say, have to abide by them.

[Dean of press corps] Since we do not have much time left, we will accept one more question.

[Reporter] Mr. Prime Minister, it seems that the financial authorities feel that the second supplementary budget will be introduced in late October at the earliest. Do you think this is too late or what?

[Murayama] We will made a decision on timing for introduction of the second supplementary budget while observing objective criteria, including economic trends and tax revenues. We need to introduce it as early as possible so that it will be a part of the continuous economic measures and give impetus to economic recovery.

[Dean of press corps] We will end the news conference.

[Murayama] Thank you very much.

Murayama To Voice 'Remorse' Over War Aggression

OW0908040895 Tokyo KYODO in English 0354 GMT 9 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 9 KYODO — Prime Minister Tomiichi Murayama will express remorse for Japan's aggression before and during World War II and reiterate his resolve to pursue peace Aug. 15, the anniversary of the war's end, a government spokesman said Wednesday [9 August].

"It should be made clear that we are deeply sorry for Japan's colonialism and acts of aggression, and are determined to contribute to world peace," Chief Cabinet Secretary Koken Nosaka told a news conference.

The premier is scheduled to meet the press and issue a statement Aug. 15 in commemoration of the 50th anniversary of the war's end. Japan surrendered to the allied powers on that date in 1945.

"We must contribute to world peace. The premier's statement will clearly state that we feel remorse for our acts of aggression in the past and will contribute to peace," Nosaka said.

Murayama: SDP To Reinforce Ties With Sakigake

OW0908082095 Tokyo KYODO in English 0724 GMT 9 Aug 95

[FBIS Transcribed Text] Nagasaki, Aug. 9 KYODO — Prime Minister Tomiichi Murayama said Wednesday [9 August] his Social Democratic Party (SDP) will transform itself into a new liberal party by reinforcing its ties with present coalition partner, New Party Sakigake [Harbinger].

"We need to deepen our ties with New Party Sakigake, which is closest (to us) in its ideas, and build mutual cooperative relations in aiming for a new party," Murayama said, renewing his wish to combine liberal forces both in and outside the SDP.

After attending a ceremony to mark the 50th anniversary of the atomic bombing in Nagasaki, Murayama told a press conference he will start creating a new party at an extraordinary party convention to be held in the middle of September.

The SDP currently forms part of the tripartite coalition with Sakigake, headed by Finance Minister Masayoshi

Takemura, and the Liberal Democratic Party (LDP), headed by Foreign Minister Yohei Kono.

Sakigake was formed in June 1993 as a splinter group of the LDP.

On Tuesday, Murayama reshaped his 13-month-old cabinet following the coalition's poor showing in the July 23 House of Councillors election, but retained his two key allies, Takemura and Kono, in their same ministerial posts.

MITI's Hashimoto To Challenge Kono in Race

OW0908122295 Tokyo KYODO in English 1214 GMT 9 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 9 KYODO — International Trade and Industry Minister Ryutaro Hashimoto on Wednesday [9 August] signaled his readiness to run for the presidency of the Liberal Democratic Party (LDP), promising a September showdown with incumbent LDP leader Yohei Kono.

Hashimoto, 58, told a meeting of LDP lawmakers loyal to LDP Vice President Keizo Obuchi that the party needs to consolidate itself to fully prepare for the next general election for the House of Representatives.

Sources familiar with Hashimoto's thinking said the MITI minister is considering officially declaring his candidacy in the third week of this month.

Kono, who is also foreign minister, has already said he will seek a second two-year term as LDP president.

During the meeting Wednesday with Obuchi, former LDP Secretary General Seiroku Kajiyama and other former Obuchi faction members, Hashimoto was urged to challenge Kono, also 58, the sources said.

Hashimoto has been a House of Representatives member from Okayama Prefecture since the age of 26. He has been elected to the lower house 11 times.

MPT Envisions Helping Venture Business

OW0408125895 Tokyo MAINICHI SHIMBUN in Japanese 26 Jul 95 Morning Edition p 3

[FBIS Translated Text] To encourage the growth of telecommunications-related venture businesses, on 25 July the Ministry of Post and Telecommunications [MPT] firmed up its plan, to begin as early as fiscal 1996, to form a new public organization that will guarantee loans provided by private-sector financial institutions for such purposes. The MPT plan also calls for the creation of a new system whereby the government can independently provide low interest financing to the businesses. The MPT will request that 70 billion yen be budgeted for this program in the next fiscal year. With an eye on the multimedia society of the future, the MPT will embark on a program to provide financial assistance with the goal of "building a mechanism which will enable individual talents to blossom into new businesses." This is the first program to provide assistance to venture groups in the telecommunications field.

Currently in Japan, it is difficult for unsecured businesses in the telecommunications field, such as software development venture enterprises, to obtain financing from banks and other financial institutions, the reality being that there is no recourse other than using one's personal resources to start such a business. There is no fertile soil like that in which Microsoft, the American computer software company begun by its president Bill Gates while still a student, grew from a venture business into a worldwide firm. Even if such a company is started, it is generally the case that soon afterward it is absorbed by a larger company.

Therefore, the ministry stated, "We want to push forward with an assistance program so that a 'Japanese version of Bill Gates' can emerge." It added that it wants to set up a public organization, with the MPT at it center, to guarantee loans. However, the MPT-accredited Telecommunications and Broadcasting Organization is already guaranteeing the debt of cable TV (CATV) and other companies, and the ministry will study using this organization to offer assistance as well. Furthermore, MPT is studying ways to set up a financial framework of approximately 50 billion yen in the new fiscal year to provide low interest financing for start-up capital.

A concrete example of new businesses being considered for assistance includes such services as Internet virtual shopping, featuring not the present still images, but animation and 3-D video technology.

Telecom Infrastructure, Market Viewed

BR0808082195 Maidenhead TELEFACTS in English Aug 95 pp 9-17

[Article by Azra Moiz based on Datapro report: "Japan: The Commercial and Regulatory Environment"]

[FBIS Transcribed Excerpt] Japan's telecommunications services industry today is among the most liberalized in the industrialized world. The Ministry of Posts and Telecommunications (MPT) is the regulatory body entrusted with the administration and development of Japan's postal and telecommunications services, and also of radio and television broadcasting services.

There are two types of telecommunications providers: Type I carriers provide telecommunications services through their own transmission circuits and facilities, and Type II carriers provide telecommunications services through circuits leased from Type I carriers. Since the 1985 liberalization, the MPT has granted licenses to more than 70 NCCs (New Common Carriers) in the Type I category. NTT [Nippon Telegraph and Telephone] is Japan's single largest company listed on the stock exchange and is a provider of national telecommunications services, while KDD [Kokusai Denshin Denwa] and ITJ provide international services. At the end of March 1994, Japan had 58.83 million subscriber lines per 100 population.

Japan's economy continued to be sluggish in 1994, with GDP growth registering a low 0.6 percent for the calendar year. Factors contributing to this include low consumer spending, restrained capital investment by the private sector, and the rising exchange value of the yen. Although growth forecasts for 1995 range from 1 percent to 2.8 percent, the Kobe earthquake in January and the sharp appreciation of the yen against the U.S. dollar have led economists to revise growth projections even lower. The continued strength of the yen is the greater cause of concern - it could dampen the overall economy by affecting Japan's international competitiveness, pulling down exports and driving up imports.

Growth in the telecommunications equipment sector has also followed a declining trend. After steady rises in production through the late 1980s and up to 1990, production peaked at 2,692 billion yen (Y) in the 1991 fiscal year and began to decline thereafter. In Japan, production of communications equipment for the fiscal year April 1993 to March 1994 totaled Y2.475 billion - down 0.5 percent over the previous fiscal year. Historically, domestic demand for telecommunications equiment has consistently accounted for 70 percent of total production, while exports constitute the remaining 30 percent. However, the stronger yen may see a trend towards greater imports.

Liberalized market entry for carriers since 1985 has led to a radical shakeout of the industry. Competition from NCCs in all segments of the telecommunications market had benefited subscribers through the introduction of new services and substantially reduced costs. Aggressive marketing from NCCs and shifting alliances among subscribers has also resulted in a shrinking market share for Japan's two telecommunications giants - NTT and KDD - to have been forced to reassess their strategic position in the domestic and international service markets, respectively. [passage omitted]

The PTO Today

Japan's telecommunications services industry today is among the most liberalized in the industrialized world. The road to liberalization can be traced back to the late 1970s. Until this time, official policy dictated that providing telecommunications infrastructure and services, especially in the domestic arena, was best served by government-owned entities, hence, the rationale for the monopoly by NTT-PC. [passage omitted]

Type I carriers provide telecommunications services through their own transmission circuits and facilities. This can cover the whole range of services including telephone, fax, telex, and value-added network services.

- Type I businesses are required to obtain a license from the MPT. Since these businesses are deemed to provide services that are indispensable to the nation's daily life and its industrial and economic activities - as well as also requiring huge investments - the MPT approval is a necessary precondition for the establishment of such businesses.

- Type I businesses are also required to establish a tariff structure for their services provided. Tariffs must be approved by the MPT, as must any proposed changes to the tariff structure. (pg 10)

- Up to one-third of ownership in Type I businesses can be held by foreign parties. Amongst the Type I carriers which have foreign equity are International Digital Communications (27 percent owned by Cable & Wireless and AirTouch International), International Telecom Japan (7.7 percent stake held by BT and France Telecom), and TU-KA Cellular Tokyo (20.7 percent stake held by Nippon Motorola and BT).

Type II carriers are carriers which provide telecommunications services through circuits leased from Type I carriers. Type II carriers are further subdivided into Special Type II and General Type II categories.

- Special Type II businesses are required to register with the MPT, while General Type II businesses need only notify the MPT.

- There is no restriction on foreign investment in Type II businesses. As a result, a number of Type II businesses have 100 percent foreign equity.

- A 1987 amendment to the Telecommunications Business Law widened the business scope for Type II carriers, allowing them to resell data outside their own organizations and to transmit data to third parties, and also licensed them to offer international value-added network services (VANs).

Since the 1985 liberalization, the MPT has granted licenses to over 70 NCCs in the Type I category. From five new carriers entering the market in 1986 - just one year after the monopolies were dismantled - the number of Type I NCCs grew from 60 in 1990 to 76 in January 1995.

While the number of long-distance carriers has remained constant since 1986 at three, the number of regional carriers has increased from three in 1987, to seven in 1990, to 11 by January 1995. Two new international carriers now compete with KDD, and there are also two new satellite carriers.

The greatest proliferation of NCCs has been seen in mobile communications, which has seen a boom in the cellular mobile telephone and radio paging markets. There are 16 cellular mobile companies today (compared to just two in 1988) and 31 radio paging companies (compared to two in 1987).

Another important area in which liberalization has taken a hold and resulted in increased competition is the terminal equipment market. Production of terminal equipment has expanded rapidly as subscribers are now able to purchase telephone sets, facsimiles, PBXs, cellular phones, and pagers instead of leasing them from service providers.

Nippon Telegraph and Telephone (NTT)

NTT is Japan's single largest company listed on the stock exchange. It was established as a wholly government-owned entity in 1952, but since October 1986, the government has partially divested its shareholding and now owns 65 percent of the company's shares. The NTT Law, however, provides for the government to own at least one-third of the total number of shares outstanding at the time the company was established. Foreign ownership of shares is also permitted, and as at the end of March 1994, 1.4 percent of NTT's non-government owned shares were held by foreign nationals and foreign corporations.

The company's operating revenues rose by 2.8 percent from Y6,504 billion for the fiscal year ending March 1993 to Y6,687 billion (US$64.9 billion) for the fiscal year ending March 1994. Operating revenues are expected to fall to Y6,143 billion for the 1995-1996 fiscal year due largely to increasing competition from the NCCs. The impact of a prolonged recession and the substantial reduction in long-distance call rates led to a 23.5 percent fall in operating income to Y390 billion for the fiscal year ending March 1994. Net income dropped by 45.36 percent to Y83 billion.

Capital investment rose by 10.4 percent to Y2,378 for fiscal year ended March 1994. Future capital investment by NTT is likely to remain high. The bill for restoring and reconstructing projects for the Kobe earthquake of January 1995 will amount to Y20 billion. In the long term, Y1.9 trillion is expected to be spent on telecommunications facility improvements, including digital switches, digital transmission lines, and an optical access network.

NTT's stated business objectives for the future are to enhance research and development activities, promote open networks, introduce more varied service menus, maintain universal service and to expand its overseas investment activities. Intensifying competition has forced NTT to address two key issues: minimizing operating costs to lessen the impact of rate reductions, and satisfying customer demand by upgrading and expanding service menus and enhancing service quality. (11)

An important part of cost reduction will focus on rationalizing its human resource strength. The company's staff reduction program will continue to offer voluntary retirement to employees, reallocate personnel to improve efficiency, and close or consolidate offices. The total number of employees has been reduced from 314,000 in 1985 to 215,600 at the end of March 1994. The eventual aim is to reach a level of 200,000 employees by 1997. Future business challenges for NTT will focus on increasing challenges by the NCCs. In early 1995, NTT bowed to pressure from the MPT and the NCCs and announced moves to open its network and allow greater ease of interconnection.

Diversification into overseas markets will also feature prominently in NTT's future business operations, with two broad geographic and sectoral thrusts. In the basic services sector, NTT will be focusing on Asian countries which are still developing a basic network infrastructure, while in advanced telecommunications services, NTT will focus on Europe and North America. Targeted areas in advanced services are cellular, personal communications, multimedia related services like CATV, and innovative software development.

NTT's first foray into overseas markets took place in 1992 when the company jointly won a contract with the Thai Telephone and Telecommunications Company (TT&T co. Ltd.) to install and operate one million telephone lines in Thailand. NTT now owns 20 percent of TT&T's shares. In 1994, NTT formed a strategic alliance with Nextel, U.S. mobile radio telecommunications company which provides specialized mobile radio services or dual mode digital trunk services in major U.S. cities in the U.S.A.

In March 1995, NTT was awarded a contract by the Vietnam Posts & Telecommunications Corp. (VNPT) to construct a telephone network in three areas of Hanoi, increasing capacity by 25,000 lines. Construction is expected to be completed in the first half of 1996. In the same year, NTT signed an agreement with Smart Communications Inc. of the Philippines to provide technical assistance for the company's local telephone business.

Procurement

NTT's procurement practices since the 1981 U.S.-Japan Arrangements on NTT Procurement have been carried out on an open and non-discriminatory level. Procurement from foreign suppliers for the fiscal year ending March 1994 reached Y119 billion, up from Y98.8 million in the previous fiscal year. Purchases have included digital switching systems (from Northern Telecom), digital transmission equipment (from AT&T), optical fiber cable (from Siecor), communication satellites (from Space Systems/Loral), ground station equipment, and operation systems and information processing systems.

The rising Japanese yen, which appreciated rapidly against the US dollar and other currencies in March and April 1995, may also lead to a greater interest in imports. Cheaper imports would promote greater cost efficiency for NTT and boost its overall financial competitiveness.

Services

Besides rate reductions, another important facet of NTT's strategy to strengthen its competitive position has been in upgrading its service offerings. Several optional calling plans have been introduced to compete more effectively with the NCCs: [passage omitted]

Other network service offerings by NTT include call waiting, touch-tone dialing, three-way calling, absent message announcement service, voice storage service, and message service. Besides basic telephone and telegraph service, NTT with its vast infrastructure also offers the widest range of services of all the carriers in Japan. These include cellular mobile service and paging (through its subsidiary company, NTT DoCoMo), leased circuits, data communications, text services, videotex, and videoconferencing services.

DDI Corp.

DDI Corp. was established in 1984 in anticipation of the 1985 liberalization, and was the first NCC to enter the long-distance telephone market. It was listed on the Tokyo Stock Exchange in September 1993. DDI's main shareholders as at the end of March 1994 were Kyocera with a 22.3 percent shareholding, Sony with 4.8 percent, Ushio with 2.2 percent, SECOM with 2.2 percent, the State Street Bank and Trust Company with 1.6 percent, and Mitsubishi Corp. with 1.2 percent.

For the fiscal year ending March 1994, DDI recorded a pre-tax profit of Y22.6 billion, a 6 percent decline over the previous fiscal year. This was in part due to expenses involved in its public listing. Total revenues were Y293.5 billion. The company's profits for fiscal year ending March 1995, which have yet to be released, are projected to rise by 14.8 percent to Y26 billion - the highest ever for DDI. This will be attributed to expanding cellular telephone service sales and reduction in operating and non-operating revenues. A restructuring program that includes personnel cuts will also reduce costs. Total sales are expected to reach Y360 billion.

Japan Telecom Company (JTC)

JTC was listed on the Tokyo Stock Exchange and the Osaka Securities Exchange in September 1994. The company's major shareholders are East Japan Railway Company (27.7 percent), West Japan Railway Company (17.4 percent), and Japan Railway Tokai.

During fiscal year ending March 1994, the company reported a fall of 18 percent in pre-tax profits over the previous year to Y16.2 billion. According to JTC, corporate clients accounted for only 8.7 percent of total sales during that year. The company's revenue for fiscal year ending March 1995 is expected to increase by 23.2 percent to Y309 billion due to increased revenue from telephone services. JTC offers telephone services as well as leased circuits through its optical fiber cables laid alongside the railroad tracks of its chief shareholder, Japan Railway Company.

The Telephone Network

At the end of March 1994, Japan had 58.83 million subscriber lines giving the country a telephone density of 47 main lines per 100 population. According to MPT figures, a total of 79.4 billion phone calls were made during the fiscal year ending March 31, 1994, and the total call duration was about 3.8 billion hours.

The greatest number of telephone subscribers were concentrated in five prefectures: Tokyo (7.9 million), Osaka (5.1 million), Kanagawa (4 million), Aichi (3.1 million), and Saitama (2.8 million). Other prefectures outside the three major metropolitan centers of Tokyo, Osaka, and Nagoya having more than one million subscribers were Hokkaido, Miyagi , Niigata, Shizuoka, Hiroshima, and Fukuoka . Short distance calls made within prefectures accounted for 81 percent of total calls made, while long-distance or inter-prefecture calls accounted for 19 percent or 15.2 billion calls.

The long-distance market is the most hotly contested segment of the telecommunications service market. The NCCs that pose the greatest challenge to NTT in this segment are DDI Corporation, Japan Telecom Company, and Teleway Japan Corporation. In the lucrative

Tokyo-Nagoya-Osaka long-distance triangle, the NCCs have eroded most heavily into NTT's share and now have 54.4 percent of telecommunications traffic. At the national level, however, NTT has a 71 percent share of inter-prefecture calls.

Competition from NCCs has resulted in telecommunications charges being drastically slashed. [passage omitted]

NTT accomplished 100 percent digitalization of its toll switches in 1994. About 83 percent of its local switches were digitalized by 1994. The company plans to raise this ratio to more than 90 percent by 1996, and to 100 percent by the year 2000.

The International Network

According to the MPT, international telecommunications was a Y328 billion market during the fiscal year ending March 1994 - KDD's share of this was about 74 percent. The company's competitors are International Telecom Japan (ITJ) and International Digital Communications (IDC). When they first began offering telephone services in 1989, these NCCs challenged KDD's dominance by undercutting KDD's rates by 23 percent, thus forcing KDD to respond in kind and reduce its rates to remain competitive. In addition, the MPT's move in June 1994 to allow the country's two domestic satellite operators, Japan Satellite Systems Inc. (JSAT) and Space Communications, to provide international services will now pose a new threat to KDD and its rivals.

Kokusai Denshin Denwa Co. Ltd. (KDD)

KDD was established as a private company in 1953 as Japan's sole international carrier. It was listed on the stock exchange in 1983. Although the international telecommunications market was liberalized in 1985, it was not until 1989 that KDD faced its first challenge from ITJ and IDC in international telephone services. The resulting competition has led to KDD having to reduce its rates to compete, as well as to introduce a more customer-oriented service menu.

KDD's operating revenues for the fiscal year ending March 1994 rose 2.6 percent to Y246.4 billion. Telephone service revenues accounted for Y192 billion or 78 percent of total operating revenues. Operating expenses were Y223.6 billion, and a net income of Y16.7 billion was reported for the fiscal year ending March 1994.

KDD's three international network operations centers are located at Tokyo, Osaka, and Oyama. Its international telecommunications infrastructure comprises submarine cables and satellites. KDD is currently constructing land-based digital microwave routes connecting the international network operations centers in Tokyo and Osaka, the Yamaguchi Earth Station and Chikura Cable Landing Station, and an optical fiber submarine cable linking the Chikura and Miyazaki cable landing stations.

KDD is also improving the security and stability of its services by expanding construction of multiple cable routes, particularly in adding submarine cable to major routes, backing up submarine cables with satellite links, and assigning alternative routes through third countries.

- An important project in which KDD is participating is the No. 5 Trans-Pacific Cable (TPC-SCN), a transmission loop consisting of two optical fiber trans-Pacific cables linking Japan, the U.S.A., Hawaii, and Guam. The project is expected to be completed in 1996.

- Operation of the R-J-K Cable system linking the Russian Federation, Japan, and Korea is due to begin in 1995.

Future competitive strategies will focus on expanding and enhancing its service menu. A sector which has been targeted for emphasis is developing end-to-end services for multinational companies.

KDD Services

Among the international phone services that KDD offers are:

- Route KDD - an international phone service that goes directly to KDD's switching facilities and is independent of NTT's network. It is cost effective for customers with a high volume of international calls.

- KDD Family Talk - a discount service for customers who frequently call the same number.

- Third-Party Dial - calls placed from a designated number are automatically charged to another number.

- KDD Japan Direct - connects Japanese-speaking callers overseas to Japan via KDD's operators.

- Discount Plans - four discount rate plans catering to different customers.

- VIRNET- a virtual private network that enables corporate customers to create intracompany networks.

KDD also leases circuits to companies with global operations, so a Japan office can be linked to an overseas branch via a single private transmission line:

- HI-BITLINK offers 12 transmission speeds (from 56K bps to 6K bps) and is a high-speed digital leased circuit that can be used for telephone, data transmission, and videoconferencing. BITLINK is a medium-speed circuit where transmission speeds below 200 bps are suitable for TELETYPE communications, and speeds above 1,200 bps can be used for data and facsimile transfer.

- BAND LINK-VG is for voice-grade transmission compatible with telephone, facsimile, and data transmission.

- BAND LINK-VO is for voice transmission only.

In the fiscal year ending March 1994, 60 percent of KDD's international leased circuits were medium - and high-speed digital circuits. Subscriptions for international leased circuits fell from 1,389 in 1989 - when ITJ and IDC began offering international leased circuits - to 1,269 in 1994.

International Telecom Japan (ITJ)

ITJ was established in 1986 with a capital base of Y20 billion and began offering international telecommunications services in 1989. Its major shareholders are Mitsubishi Corp., Mitsui & Co., Sumitomo Corp., and Matsushita Electric Industrial Company, each of which has an 8.9 percent share of the company. During fiscal year ending March 1993, ITJ recorded a first time profit figure of YF597 million. Profits leapt to Y3,405 million for year-end 1994 against an operating income of Y40.9 billion. ITJ's on-ground facilities include:

- Two international gateway centers in Tokyo and Osaka, with a third international gateway in Chiba near Tokyo, which is expected to be operational in 1996.

- Two satellite earth stations, one in Chiba and another at Kami- Yamaguchi.

- Tokyo and Yokohama sub-centers for leased-circuit service.

ITJ provides international switched telephone services (including mobile telephone service and VPN service), international private leased-circuit services; international ISDN, automated country direct, and other services.

The company's international telephone services include international direct dialing, third-party billing service, credit call service, and a number of discount packages. It also offers overseas connections for NTT DoCoMo mobile phones, and SERVE NET, an international virtual private network.

At the end of March 1994, ITJ recorded 85 million calls, behind IDC's 87 million calls and KDD's 361 million calls. ITJ had 180 leased-circuit subscribers at the end of March 1994, compared to rival IDC's 227 subscribers and KDD's 1,269 subscribers. Operating income from leased-circuit subscribers totaled Y1,951 million.

Data Communications

NTT Data Communications Systems Corporation, which was established in 1988, provides three digital data transmission services:

- Digital Data Exchange-Packet (DDX-P) - provided to 39,000 facilities for fiscal year ending March 1994, down 9.7 percent from the previous year.

- Digital Data Exchange-Telephone Packet (DDX-TP) 371,000 subscriber lines for fiscal year ending March 1994.

- ISDN-Packet Switching Service (INS-P) - 93,000 subscribers as at the end of March 1994, a 56.9 percent increase over the previous year.

NTT Data plans to introduce Super Relay FR, a high-speed, large- capacity frame-relay service. It will comprise two types of service - one at 1.5M bps and another at 128K bps. Both will allow simultaneous communication among 32 paired points through a single circuit. In March 1995, KDD applied to the MPT for authorization to offer KDD Frame Link, an international frame-relay service for data transmission.

KDD's data transmission services are offered in VIR-NET and VENUS-P, an international packet-switched digital data network that allows data transmission between computers.

NTT DoCoMo plans to enter the mobile data telecommunications arena through the use of packet switching on a digital cellular and car phone system. The system will enable 42K bps transmission and reception. A 9.6K bps modem for digital cellular phones is also expected to be commercially available in 1995, which will make it possible to send and receive data. It also plans to launch four models of the digital Mova Hyper cellular and car phone with data telecommunications function which can transmit data at 9,600 bps - four times faster than previous models.

ISDN

Demand for ISDN has been boosted by the increasing use of point-of-sale systems among retailers and business operations. Future growth is expected to be bolstered by Japan's entry into the multimedia age and the widening scope of Japan's ISDN infrastructure. NTT's ISDN service is available in most major cities in Japan. About 81 percent of INS-Net 64 services are used for data communications, and 54 percent of INS-Net 1500 services are used for PBX installation.

- INS-Net 64 - this is a domestic basic-rate ISDN service providing transmission with two B channels at 64K bps and one D channel operating at 16K bps. At the end of November 1994, there were 297,922 subscribers.

- INS-Net 1500 - this is a primary-access service that caters to large volume transmission. It has a transmission capacity that is 12 times higher than INS-Net 64. It had 5,000 subscribers as at the end of March 1994.

International ISDN services are provided by KDD, ITJ, and IDC. There are two types of contracts for international ISDN switched access contract by which the user accesses international ISDN via NTT's INS-Net service, and a dedicated access contract under which a direct subscriber line is established between the user and the international telecommunications carrier.

KDD's international ISDN services were launched in 1989 offering basic-rate interface with two B channels and a D channel at 144K bps, and a primary-rate interface with either 22 B channels and a D channel at 1.5M bps, or 30 B channels and a D channel at 2M bps. The service offers G4 facsimile transmission and videoconferencing as well as access to international telephone, public packet-switched data transfer, facsimile store and forward services, international leased circuits, and frame-relay services. The service currently covers 29 areas. KDD currently has 3,000 subscribers to its international ISDN switched-access contract.

The MPT is organizing large-scale broadband ISDN trials at transmission capacity of 150M bps. This has a far larger capacity than the first-generation ISDN services now operating which transmit at 1.5M bps.

Mobile Telecommunications

The mobile communications market has seen the most dynamic growth in Japan's telecommunications market, with strong subscriber growth in both cellular phones and radio paging. This segment has also seen the greatest proliferation of NCCs. As at January 1995, there were 16 NCCs providing cellular phone services in Japan, while 31 NCCs provide radio paging services. They have made considerable inroads into NTT's mobile communications, and have 36.3 percent of the cellular phone market and 35.5 percent of the radio-paging market.

Cellular

The total cellular phone market had revenues of Y608 billion for the fiscal year ending March 1994. According to the MPT, the number of mobile phone users surged by almost 100 percent in the space of less than one year, from 2.13 million users in April 1994 to over 4 million in January 1995. The MPT's move in 1994 to permit users to purchase instead of lease cellular phones, and the consequent price wars among cellular phone manufacturers, contributed to this explosion in demand. By 1996, the number of cellular phone subscribers is expected to reach 6 million.

There are currently two cellular standards in operation - an analog system called JTAC developed by Motorola, and a digital system, Pacific Digital Cellular or PDC (formerly known as JDC), developed by NTT.

NTT DoCoMo, an independent entity established in 1992 to take over NTT's mobile communications operations, operates both the analog and digital standards. Competition between NTT DoCoMo and the NCCs is expected to intensify during 1995 with more service rate cuts. NTT DoCoMo announced plans in early 1995 to cut daytime service rates for digital cellular phones by 54 percent; service rates for analog cellular phones are also planned to be reduced by 30 percent. At the end of March 1995, NTT DoCoMo's rates were Y260 for three minutes compared to Y230 charged by IDO and Digital Phone Company. This will probably see rival NCCs making their own service rate cuts in response.

An important new development in the mobile telecommunications sector is the introduction of the personal handy-phone system (PHS). This is a new portable digital phone system that is a cross between the existing cellular phones and cordless phones. PHS is widely regarded as being the first step in the evolution towards personal communications.

PHS will use the 1.9 GHz band and offer a transmission capacity of 32K bps. In addition to voice, it will also be able to transmit data and facsimile signals. As it will use the existing nationwide digital network rather than necessitate the construction of a new network, service charges will remain low, lower in fact than conventional cellular phones. However, large investments will be needed to lay a network of relay stations to pick up PHS signals.

The MPT announced a series of guidelines for the formation of businesses created to offer PHS in late 1994. The country has been divided into ten service areas, and up to three operators may be authorized to offer PHS in each service area. Operators are obliged under the guidelines to cover 50 percent of the population in each area. In January 1995, the MPT awarded 21 businesses licenses for PHS, nine of which were to the NTT Personal Communications Network Group, another nine from the DDI group, and three to the Astel group (a consortium of regional electric power companies and Japan Telecom Company). The NTT and DDI subsidiaries plan to begin offering PHS in the second half of 1995.

Long-term projections for mobile phones suggest that PHS will become the preferred mobile phone among users. The MPT projections of mobile phone trends envisage that by the year 2010, there will be 32 million cellular and car phones and 40 million personal handy phones in use in Japan.

Paging

At the end of March 1995, paging subscribers in Japan swelled to more than 8.8 million, an 11 percent increase compared with the previous year. This makes it the second largest pager market in the world after the U.S.A. The rapid growth in demand for paging has been bolstered by the increasing use of data communications in pager displays. Total revenues for the paging services sector for the fiscal year ended March 1994 were Y218.4 billion, up from Y178.8 the previous fiscal year. Demand is expected to remain strong through 1995 and 1996, especially as two-way paging becomes available and as subscribers are permitted to purchase pagers instead of leasing them from operators. Non-business users, such as schoolchildren, will also become increasingly important users of pagers.

With the ten million subscribers benchmark figure easily in view, there have been moves to adopt a higher speed paging system to deal with future demand. In November 1994, the MPT adopted FLEX-TD, based on Motorola's coding system and NTT DoCoMo's elemental technology, as the standard for the new-generation paging system in Japan.

Text Services

NTT's revenues for its telegraph services, comprising telegrams and telexes, for the fiscal year ending March 1994, increased by 3.6 percent to Y81 billion. However, the increasing usage of fax machines led to a fall in telex subscribers to about 20,000. Faced with this declining trend in usage, NTT's future business plan for telex service operations will aim to make this more cost effective by unifying or closing service offices. Overall, telegraph services will be rationalized for greater cost efficiency. Usage trends for KDD's telex services have also slipped downwards, with revenues falling by 23 percent.

NTT's facsimile network, called F-Net, saw subscribers increase by 11.3 percent to 601,000 in the fiscal year ending March 1994. The increase was partly due to a broader range of convenient services, such as multiple-address delivery. Under KDD's F-Port (International Store-and-Forward Facsimile Service), international fax messages are stored in its message storage and switching system and then forwarded through either the F-Port dedicated network or the international telephone network.

Satellite Communications

Japan's two satellite carriers providing domestic services are Japan Satellite Systems Inc. (JSAT) and Space Communications. Since June 1994, however, the MPT began permitting domestic satellite companies to provide international telecommunications services. Both JSAT and Space Communications have announced plans to offer international services. JSAT obtained its international license from the MPT in April 1995, and Space Communications expects to also receive an international license before the end of 1995. Both carriers have plans to launch a third satellite to gear up for the move into the international telecommunications market.

JSAT will be launching its third satellite in August 1995 to start services in October 1995. The new satellite will have both Ku- and C-band transponders with cross-strap function, and 16 27MHz channels and 12 35MHz channels. Space Communications' third satellite launch is planned to take place in mid-1997. The Y30 billion satellite is expected to have 20 transponders.

Future trends are likely to see an increasing emphasis on developing satellite telecommunications in Japan. The Kobe earthquake of January 1995, which severed ground-based lines of communication, demonstrated the efficacy of satellite telecommunications and prompted the MPT to place greater focus on satellite networks in complementing and backing up land-based networks. Accordingly, the MPT has announced plans to promote the development of high-speed satellite telecommunications at speeds ranging from several hundred megabits per second to one gigabit per second.

Satellites will also be increasingly used for the transmission of mobile data and voice. A prospective new entrant into this segment is a joint venture between Itochu Corporation and AirTouch Communications, which plans to allow users to make international phone calls, faxes, and paging on mobile phones. Two other consortia, Iridium Corporation and Inmarsat P. are also planning to develop such satellite-based telecommunications systems.

The Future

Having installed a sound telecommunications infrastructure, Japan's next step is to develop more advanced services such as multimedia capabilities in line with the government's commitment towards building an intelligent network system in the country. In 1994, the MPT announced its goal of constructing a nationwide fiber-optic network by the year 2010 to support broadband ISDN interactive services - 20 percent of the population is expected to be covered at the preliminary stage up to the year 2000, 60 percent by the second stage up to the year 2005, and 100 percent coverage by 2010.

Figures for the total cost of the project are estimated to be Y33 trillion. The government plans to offer tax breaks to Type I telecommunications carriers and cable TV operators laying fiber- optic network as incentives to meet its goal.

An important development that will lead to a shakeout in the telecommunications services industry is the reopening of a debate on the breakup of NTT's monolithic operations. This threat of divestiture has received much publicity though it is not clear how powerful it will remain. In April 1995, the MPT convened an advisory panel to look into the proposals for separating NTT's long-distance business and dividing its local operations into several region-based companies. The NCCs, faced with difficulties in interconnection with NTT, argue that divestiture is essential in order to enhance free and fair competition. A report on this issue is expected to be released in early 1996.

Mongolia

Hural Chairman: Nation Eager To Join APEC

OW0908034395 Tokyo SANKEI SHIMBUN in Japanese 7 Aug 95 Morning Edition p 5

[By correspondent Toshio Matsuo]

[FBIS Translated Text] Ulaanbaatar, 6 Aug — Natsagiyn Bagabandi, chairman of the People's Great Hural, who is promoting the transition to a market economy and the opening-up policy in Mongolia, granted an interview to SANKEI SHIMBUN on 6 August. Commenting on the meeting of the Asian-Pacific Economic Cooperation [APEC] forum to be held in Osaka, Japan, the Mongolian leader said: "Mongolia has yet to be admitted to APEC. We see the admission of our nation to APEC as an indispensable step in the 21st century." In this way, he expressed high expectations for the admission of Mongolia to APEC.

In the interview, the chairman said: "Our nation is now in the transition phase toward a market economy. The development of the Mongolian economy will certainly affect the global economy. But the development of Mongolian economy is inconceivable without its admission to APEC." In the interview, he noted that in Mongolia, the poor account for 20 percent of the total population, and said: "Mongolia needs more investment from other nations. The upgrading of infrastructure, including roads and power generation in local areas, has been delayed. We are looking forward to more loans from Japan."

North Korea

South's 'Smear Campaign' Assailed

SK0808122495 Pyongyang Korean Central Broadcasting Network in Korean 0752 GMT 8 Aug 95

[Unattributed talk: "Deliberate Anticommunist Smear Campaign"]

[FBIS Translated Text] Insisting that people who defect to the northern half of the Republic to lead genuine lives were kidnapped is a stereotypical trick that the South Korean puppets employ whenever they are in trouble.

As was already reported, a South Korean pastor, An Sung-un, defected to the Republic, the home of genuine life, because he was no longer able to live with a national conscience in South Korea, a colony of the U.S. imperialists.

However, the puppet Kim Yong-sam clique has insisted that the defector who voluntarily came to the northern half of the Republic was lured or kidnapped. This truly is preposterous. This is also a deliberate smear campaign by the Kim Yong-sam puppets, an attempt to find a way out of the crisis by promoting mistrust and confrontation between the fellow countrymen and aggravating North-South relations.

As people know, the South Korean puppets distance themselves from the truth and are accustomed to finding fault with and harming other people with falsehoods. This is clearly shown by the clumsy drama that the puppets staged this time.

The South Korean pastor, An Sung-un, explained to reporters why he defected.

[Begin An recording] After I was confirmed as a pastor in 1992, I came to China with a pure heart. One day, members of the Agency for National Security Planning [NSP] came to China and gave me $1,600. They gave me the money to support my missionary work, and I was really grateful for this.

I went back to the ROK one day this past March to obtain a visa. They wanted to meet me. I went to the 13th floor of Olympia Hotel in Kangnam, Seoul. They asked me how I had been and how I had spent the money. I said I had spent it for missionary work. They said that was good. Then, they asked me to do them favors. I asked them to tell me what the favors were. They said that many North Koreans go to China, including soldiers of the People's Army and the People's Security Forces and government officials. They asked me to lure them out and bring them to South

Korea. They asked me to [word indistinct] soldiers and kidnap them or lure them out.

Then, I said: How can I, as a pastor, do such a thing? I cannot do it. I will return the money. I thought that the money was purely for missionary work.

I said now I knew the reason they had given me the money. I said I could not do it. They said they would not leave me alone.

At that time, I thought that I might never be able to return to China. I, a pastor, could not sleep at night. I made a decision at that time.

I told myself: Where I should defect to is North Korea. If I miss this opportunity I will never be able to go to (?Pyongyang). Therefore, I got on the train bound for Pyongyang.

When I arrived, I realized I had made the right decision. [end recording]

This is what really happened. As we have already reported on television, he visited Pongsu Church on 31 July and elaborated on why he defected.

No matter how hard the Kim Yong-sam fascist clique may stage a smear campaign, it will not be able to cover up the reality.

Any smear campaign will only become the butt of ridicule. For example, last summer the Kim Yong-sam ring made a fuss about a nonexistent human rights problem, stating that Yu Song-kun and Ko Sang-mun, who defected long ago, were kidnapped, detained, or that they had committed suicide.

Those two people refrained from expressing their indignation at news conferences, stating that they voluntarily came to the North, rather than being kidnapped; were leading happy lives, rather than being detained; and had been carrying out [word indistinct] activities, rather than committing suicide. As a result, the Kim Yong-sam puppets disgraced themselves. The slander campaign staged this time is an extension of that episode.

When the South Korean NSP's vicious plot to use religionists' missionary work in harming the Republic was exposed clearly, the Kim Yong-sam puppets staged this slander campaign to cover up its plot and free themselves from trouble. As the South Korean pastor, An Sung-un, disclosed, insisting that defectors were lured out or kidnapped is the monopoly of the puppet Kim Yong-sam clique, which habitually pursues fascism, treachery, and confrontation, and we, who are making every effort for national reconciliation and unity, have nothing to do with such acts.

We cannot forgive the puppet Kim Yong-sam clique, which finds fault with us in a false slander campaign. If it does not want the curse, denunciation, and stern judgment of 70 million fellow countrymen in the North and South and abroad who yearn for peace in the country and its peaceful reunification, the puppet Kim Yong-sam clique must immediately stop its maneuvers to slander the Republic.

Kim Yong-sam Group Criticized for Accidents

SK0908102595 Pyongyang KCNA in English
1008 GMT 9 Aug 95

["Fascist 'Regime' Criticised for Unbroken Chain of Accidents" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, August 9 (KCNA) — The waters off Tongyong, South Kyongsang Province, has been reportedly polluted, to a large extent, with oil leaked from a tanker when it collided with a cargo ship on August 3. A similar accident took place in the harbour of Inchon port on the following day, which claimed the life of a tanker crewman at work aboard and caused the leakage of ten tons of oil, seriously polluting the waters off the seaport.

An analyst of NODONG SINMUN today attributes this entirely to the anti-popular reactionary rule of the Kim Yong-sam group.

He further says:

A gas explosion in Taegu, the collapse of the "Sampoong Department Store" in Seoul and other extra-large accidents transpired one after another in the year. The collapse of the department store left more than 1,600 innocent people dead, wounded or missing.

The recent sinking of a large tanker brought about the "pollution of waters, he worst ever known in history", inflicting heavy damages upon fishermen and offshore culturists on the south coast.

Indeed, South Korea has become an "area of the worst accidents in the world" and an "area of horrifying disasters".

It is only too natural that the South Korean people are unanimous in saying with surging indignation that an unbroken chain of accidents are "man-made disasters" and branding Kim Yong-sam as a "president of accidents."

The South Korean people are also unanimous in saying that the Kim Yong-sam reactionary "regime" should be overthrown without fail so that they may not be victims of large accidents.

South Teachers, Students Decry Kwangju Decision

SK0908050095 Pyongyang KCNA in English
0421 GMT 9 Aug 95

[FBIS Transcribed Text] Pyongyang, August 9 (KCNA) — 203 teachers of Chonbuk National University and 106 teachers of the University of Foreign Studies in South Korea published statements respectively on August 8 and 7 in protest against the decision of the authorities not to prosecute those responsible for the Kwangju massacre, according to a radio report from Seoul.

In the statements, they said that the recent decision resulted in encouraging the reactionaries of history. And they urged the puppet authorities to punish the criminals.

Meanwhile, students of the South Korean Federation of General Student Councils (Hanchongnyon) made public a statement demanding the punishment of those responsible for the Kwangju massacre and entered into a hunger strike at Myongdong Cathedral in Seoul on August 7.

Committee Discusses News Coverage for Festival

SK0908103495 Pyongyang KCNA in English
1015 GMT 9 Aug 95

[FBIS Transcribed Text] Pyongyang, August 9 (KCNA) — The 23rd meeting of the North side preparatory committee of the grand national reunification festival to mark the 50th anniversary of national liberation was held in Pyongyang on August 9.

Discussed at the meeting were news coverage and propaganda of the festival and other questions to ensure the festival.

Also discussed there were questions of concentrating on the successful holding of the festival as a grand festivity common to the nation on the basis of the preparations already completed, on the threshold of the festival.

Receives Message From Chongnyon

SK0908044295 Pyongyang KCNA in English
0416 GMT 9 Aug 95

[FBIS Transcribed Text] Tokyo, August 8 [date as received] (KNS-KCNA) — A message was sent to the national preparatory committee for the grand national reunification festival celebrating the 50th anniversary of the country's liberation on August 8 by the Central Standing Committee of the General Association of Korean Residents in Japan (Chongnyon) favouring the grand national reunification festival of August 15 to be held at Panmunjom amid deep expectation and concern of the seventy million fellow countrymen.

It warmly welcomed the festival which will declare a new start of the era of reunification in the 1990s after putting an end to the tragic history of division of half a century during which the Korean nation has undergone all kinds of sufferings.

"We are firmly resolved to bear deep in mind and implement the behest of the fatherly leader Generalissimo Kim Il-song for reunification, holding the great leader Marshal Kim Chong-il in high esteem as the centripetal point of the great national unity," the message stressed.

South Citizens' Safety at Festival Guaranteed

SK0908103295 Pyongyang KCNA in English
1017 GMT 9 Aug 95

[FBIS Transcribed Text] Pyongyang, August 9 (KCNA) — A spokesman of the Panmunjom mission of the Korean People's Army issued a statement today concerning the grand national reunification festival which is scheduled to take place on the 50th anniversary of Korea's liberation.

The spokesman said the Panmunjom mission will warmly welcome the compatriots who are expected to come to Panmunjom from the South side and the overseas side for a successful holding of the festival, and will guarantee their safety.

All convenience will be provided for successful performance of the festival programme at Panmunjom, he added.

Foreigners Arrive for Reunification Festival

SK0908055995 Pyongyang KCNA in English
0456 GMT 9 Aug 95

[All names are as received]

[FBIS Transcribed Text] Pyongyang, August 9 (KCNA) — Foreign guests of honor arrived here on Tuesday to participate in the grand national reunification festival marking the 50th anniversary of national liberation.

Among them are Francisco da Costa Gomes, former president of the Portuguese Republic who is honorary chairman of the International Liaison Committee for Reunification and Peace in Korea (Cilreco); Joe Denbono Grech, former deputy leader of the Malta Labour Party who is vice-chairman of Cilreco; Paulette Pierson, vice-chairman of Cilreco; Guy Dupre, secretary general of Cilreco; P. Shiv Shankar, governor of Sikkim State of India and former foreign minister who is chairman of the All-India Indo-Korean Friendship Association, and his companion; Narayan Man Bijukchhe, chairman of the Central Committee of the Nepal Worker-Peasant Party;

Roberto Gabriele, general secretary of the Central Committee of the Movement for Peace and Socialism of Italy; Reggie Ranatunga, deputy minister of transport, environment and women's affairs of Sri Lanka who is chairman of the Sri Lanka-People's Korea Friendship Association; Vladimir Tolstikov, chairman of the Central Council of the Russian Association for Friendship and Cultural Cooperation With the DPRK; retired General Nikolai Lashenko, hero of the former Soviet Union; Jack McPhillips, former chairman of the Central Committee of the Socialist Party of Australia who is secretary general of the Australia-DPRK Friendship and Cultural Exchange Association; Madirisha Juvenal, chairman of the Burundian Committee To Support Korea's Reunification who is secretary general of the African Regional Committee of Friendship and Solidarity With the Korean People; D. Bilegt, secretary general of the Federation of Peace and Friendship Organisations of Mongolia; Om Prakash Mantri, secretary general of the All-India Indo-Korean Friendship Association who is secretary general of the Asian Regional Committee To Support Korea's Reunification; and W. A. Dumiduwardane, secretary general of the Sri Lanka-People's Korea Friendship Association.

Earlier, Anders Kristensen, chairman of the Denmark-DPRK Friendship Association who is secretary general of the Nordic Cooperation Committee for Friendship and Solidarity With the Korean People, and his party arrived here.

The guests of honor laid floral baskets before the statue of the great leader President Kim Il-song on Mansu Hill and made bows.

Comment on Planned Festival

SK0908053595 Pyongyang KCNA in English 0440 GMT 9 Aug 95

[FBIS Transcribed Text] Pyongyang, August 9 (KCNA) — Guy Dupre, secretary general of the International Liaison Committee for Reunification and Peace in Korea, published a statement at the airport upon arrival here on August 8 to participate in the grand national reunification festival celebrating the 50th anniversary of the liberation of the country.

In the statement he said that foreign delegates to the festival had come to Korea to manifest their will to do their best for the accomplishment of the just cause of Korea's reunification, carrying the feelings of friendship and solidarity of the world's people who love justice, progress and peace.

"The realization of Korea's reunification in the 90s was the desire of President Kim Il-song whom we respect most," he said, adding:

Firmly convinced that under the guidance of the prominent leader Marshal Kim Chong-il Korea will surely be reunified in the 90s according to the three principles of independence, peaceful reunification and great national unity, the proposal for reunification by means of confederacy and the 10-point programme of the great unity of the whole nation, as President Kim Il-song wished, the International Liaison Committee affirms that it will struggle always together with the Korean people in the efforts for its realization.

The delegation of the International Liaison Committee and delegates from different countries to the grand national reunification festival will express solidarity with the Korean people during the festival and cooperate in every way for a successful festival.

Foreigners Support Armistice Replacement

SK0808151495 Pyongyang KCNA in English 1503 GMT 8 Aug 95

[FBIS Transcribed Text] Pyongyang, August 8 (KCNA) — Uday Pratap Singh, former chief of the group of the socialist members of Parliament of India and member of Parliament, and Amaral Matos, first secretary of the Maputo City Committee of the Mozambique Liberation Front Party, demanded that the United States replace the Korean Armistice Agreement with a peace agreement.

Uday Pratap Singh said in an interview with the KCNA correspondent in India on July 25 that the resolution on Korea adopted at the 30th session of the U.N. General Assembly demands that the "U.N. Forces Command" in South Korea be dissolved, all foreign troops withdrawn from South Korea, the Korean Armistice Agreement replaced by a peace agreement and disarmament realized.

The U.S. troops in South Korea should no longer abuse the U.N. flag and should throw away the way of thinking used in the era of the Cold War, he noted.

Amaral Matos in a press statement on August 2 said the United States should give up its attempt at military pressure upon the Democratic People's Republic of Korea in conformity with the international trend of detente and the main spirit of the DPRK-U.S. talks, stop its war provocation moves and sincerely accept the proposal of the DPRK to replace the Armistice Agreement with a peace agreement.

The Secretariat of the Pan-African Union of Students published a statement on July 27 urging the United States to sincerely implement the DPRK-U.S. framework agreement and assent to the DPRK-U.S. negotiations for establishing a new peace mechanism on the Korean peninsula.

It appealed to all organizations of students in Africa and their members to extensively conduct a solidarity movement for supporting the Korean people in their struggle for defence of the sovereignty of the country and for peace and national reunification.

Japan's Criticism of Nuclear Testing 'Farce'

SK0908045695 Pyongyang KCNA in English 0436 GMT 9 Aug 95

["NODONG SINMUN on Japan's Protests Against Other's Projected Resumption of Nuclear Tests"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, August 9 (KCNA)—The Japanese authorities are nowadays engaged in unprecedented protests against other country's decision to resume nuclear tests.

Commenting on the farce, NODONG SINMUN today in a commentary titled "Anti-Nuke Is Not What They Want" says their attempt to describe Japan as a "champion of peace against nuke" is a trick. [sentence as received]

The analyst further says:

Their attempt is aimed at diverting elsewhere world public opinion and suspicion of Japan's nuclear arming.

According to data disclosed some time ago, Japan began researches into nuclear weaponry in 1941. Even after her defeat in the war she did not abandon her design for nuclear armament. In actuality, she has fully laid material and technological foundations for the production and use of nuclear weapons—establishing nuclear facilities, securing nuclear substance and possessing sophisticated means of nuclear delivery. That is why the world is concerned about the moves and bitterly condemns Japan for her efforts to arm herself with nuclear weapons.

Another purpose of their attempt is to curry favor with non-nuclear countries opposed to nuclear monopoly of nuclear powers and realise her wild ambition for a political power.

The Japanese authorities are trying to get a permanent seat in the UN Security Council, alleging that Japan should be a political power commensurate with an economic power.

In posing herself as a mouthpiece of developing countries and non-nuclear states aspiring after peace and development against nuclear monopoly of nuclear powers, Japan seeks to get trust from the countries and create circumstances favourable for her access to UN Security Council permanent membership.

Their purpose in taking issue with the "nuclear issue" of the DPRK is to divert to the DPRK the attention of world public and Japanese people and realise their ulterior intention behind the scenes.

Japan's crafty intention to put spurs on her nuclear arming, while describing her as a "steadfast anti-nuclear state", cannot be concealed at all.

By trying to use others as a shield for her ulterior intention Japan betrays once again before the eyes of the world craftiness and shamelessness pertaining to her.

The Japanese authorirites should not resort to a flimsy trick, but really choose a road of anti-nuke and peace.

Chongnyon Supports Building of WPK Monument

SK0908102095 Pyongyang KCNA in English 1000 GMT 9 Aug 95

[FBIS Transcribed Text] Pyongyang, August 9 (KCNA) — Members of the home-visiting group of students of Korean University under the General Association of Korean Residents in Japan (Chongnyon) led by Pak Chong-sun on a visit to the socialist homeland supported the construction of the monument to the foundation of the Workers' Party of Korea [WPK] on August 8.

They also planted trees in token of their visit.

The head of the group said that only the Korean people can build such an excellent monument as they are led by the invincible great party, and went on:

"We are happy we can contribute to the construction to convey the exploits of the great leader Generalissimo Kim Il-song and respected General Kim Chong-il forever.

"No party in the world is stronger and more powerful than the Workers' Party of Korea. The WPK is fully displaying its invincible might and leading the revolution and construction under the guidance of General Kim Chong-il."

Chinese-Koreans Pay Tribute to Kim Chong-suk

SK0908045995 Pyongyang KCNA in English 0429 GMT 9 Aug 95

[FBIS Transcribed Text] Pyongyang, August 9 (KCNA) — A wreath was laid on Tuesday before the statue of Comrade Kim Chong-suk, an indomitable communist revolutionary fighter, standing in Korea's northern city of Hoeryong, by a delegation of the General Association of Korean Citizens in China led by its Chairman Yang Yong-tong and the members of the cycle relay group of Koreans in China, who are visiting the homeland to attend the grand national reunification festival to celebrate the 50th anniversary of the country's liberation.

They laid a wreath before the statue of Comrade Kim Chong-suk who devoted all her life to the struggle for liberation of the country and the freedom and happiness of the people and paid a silent tribute to her memory.

Laotian Delegation Meets Hwang Chang-yop

SK0908102895 Pyongyang KCNA in English
1013 GMT 9 Aug 95

[FBIS Transcribed Text] Pyongyang, August 9 (KCNA) — Hwang Chang-yop, secretary of the Central Committee of the Workers' Party of Korea, today met and had a friendly talk with the visiting delegation of the Lao Front for National Construction and the Laos-DPRK Friendship Association led by Maysouk Saysompheng, president of the Central Committee of the front and chairman of the association.

The head of the delegation said the friendship between the two parties and two peoples of Laos and Korea is a precious one the great leader Comrade Kim Il-song provided and developed in depth together with esteemed Comrade Kaysone Phomvihan.

This friendship is further strengthening amid the deep concern of dear Comrade Kim Chong-il and our Comrade Khamtai Siphandon, he added.

"Under the wise leadership of Comrade Kim Chong-il who is successfully carrying forward to completion the revolutionary cause of the great leader Comrade Kim Il-song," he said, "the Korean people are now working hard for the building of socialism and the independent and peaceful reunification of the country, closely rallied around him."

He said the U.S. imperialists and the reactionaries are persistently maneuvering to stifle the socialist system in Korea but in vain.

"We are convinced that the reunification of the country, the cherished national desire of the Korean people, will surely be realized," he said.

Attends Friendship Gathering

SK0908045195 Pyongyang KCNA in English
0419 GMT 9 Aug 95

[FBIS Transcribed Text] Pyongyang, August 9 (KCNA) — A friendly gathering between members of the Korea-Laos Friendship Association and officials of the Laos-Korea Friendship Association took place in Pyongyang on August 8.

Present on invitation were members of the visiting delegation of the Lao Front for National Construction and the Laos-Korea Friendship Association led by Maysouk Saysompheng, president of the Central Committee of the front and chairman of the association.

Present were Yi Chol-pong, minister of city management and chairman of the Korea-Laos Friendship Association, Chon Yon-ok, vice-chairperson of the Korean Committee for Cultural Relations With Foreign Countries, and other officials concerned.

Those present appreciated the Korean film "The Great Life in 1994" and had a friendly conversation with each other.

Yang Hyong-sop Meets Outgoing Egyptian Envoy

SK0908102695 Pyongyang KCNA in English
1009 GMT 9 Aug 95

[FBIS Transcribed Text] Pyongyang, August 9 (KCNA) — Chairman of the Supreme People's Assembly Yang Hyong-sop met and had a talk with Egyptian Ambassador to Korea 'Ali Hijazi, when the latter paid a farewell call on him, at the Mansudae Assembly Hall today.

Kim Chong-il Thanks KPA Chorus, Soldiers

SK0908093595 Pyongyang Korean Central Broadcasting Network in Korean
2100 GMT 8 Aug 95

[FBIS Translated Text] Comrade Kim Chong-il, the great leader [yongdoja] of our party and people and the supreme commander of the Korean People's Army [KPA], extended thanks to the merited chorus of the KPA song and dance ensemble for fully displaying the traditional trait of army-people unity. The KPA Supreme Commander Comrade Kim Chong-il also extended thanks to 24 discharged soldiers who belong to the Kim Chol-man Unit of the Korean People's Security Forces for resolving to collectively venture to socialist rural area.

The artists of the merited chorus of the KPA song and dance ensemble highly displayed the virtues of sincerely helping the working class and veteran soldiers of the Kimchaek Steel Complex during a performance there. The artists went out to the blast furnace, and worked and sang together with veteran soldiers, thus vigorously arousing them to increase steel production. They have not only visited the houses of veteran soldiers' families but also looked after their lives. The artists also called on and encouraged a work team head who was hospitalized. They voluntarily donated their skin for his skin graft operation, deeply moving the people.

The 24 discharged soldiers who belong to the Kim Chol-man Unit of the Korean People's Security Forces resolved to collectively advance to the Soktan Cooperative Farm in Sinchon County, hometown of labor hero Yun Tae-ho, who sacrificed himself while saving 18 comrades at a critical moment. Officer Kim Yong-il, whose hometown is Pyongyang; officer Cho Sun-tae, who was recommended for college; officer Cho Chang-kwan, and other soldiers who were loyal to the respected and beloved comrade supreme commander during their military service decided to go to the hometown of labor hero Yun Tae-ho and farm well, thereby upholding the fatherland with rice and turning the hero's hometown into a socialist rural cultural area where it is better to live.

Meetings to deliver thanks from the KPA Supreme Commander Comrade Kim Chong-il were held on the spot. Present at the meetings were the functionaries concerned; generals, officers, and soldiers; and artists.

In the meetings, thanks extended by the respected and beloved comrade supreme commander were delivered amid the participants' enthusiastic applause. Discussion of a resolution followed.

A resolution to KPA Supreme Commander Comrade Kim Chong-il was adopted at the meetings.

Thanks People

SK0908051395 Pyongyang KCNA in English
0424 GMT 9 Aug 95

[FBIS Transcribed Text] Pyongyang, August 9 (KCNA) — The great leader Comrade Kim Chong-il extended thanks to employees of the Paek Yong-song Art Studio and the Kim Ki-chang Factory, Kim Hye-suk, a teacher at the Changsusan College, and her family and relatives, who devoted themselves to building the Kumsusan Memorial Palace.

He also sent thanks to the merited chorus of the song and dance ensemble of the Korean People's Army for their full display of the traditional trait of army-people unity, to 24 ex-servicemen who belonged to the Kim Chol-man unit of the Korean People's Security Forces for their active contribution to the socialist rural community and to officials and employees of the Pyongyang Changgwang Service Management Bureau for their big success in services for Pyongyangites.

ROK Citizens Allegedly Praise Kim Chong-il

SK0908044395 Pyongyang KCNA in English
0402 GMT 9 Aug 95

["Great Leader Kim Chong-il Is Very Incarnation of Morality"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, August 9 (KCNA) — Professors in Taegu, South Korea, on July 18 expressed their ardent feelings of reverence for the great leader Comrade Kim Chong-il after hearing the news that the opening ceremony of Kumsusan Memorial Palace was solemnly held in Pyongyang, according to a report of Seoul-based Radio Voice of National Salvation [VNS].

A Professor Kim who participated in a seminar on the present situation which was held in Taegu said:

President Kim Il-song is the soul of the Korean nation and the brilliant symbol of happiness and prosperity of the 70 million fellow countrymen and tenacity, bravery and unity and cohesion of the Tangun nation.

Such a brilliant man as President Kim Il-song should be immortal with the times and the nation. This is the greatest cherished wishes of the 70 million Koreans and humankind.

These wishes were realized by the great leader Kim Chong-il.

I extend thanks to him carrying ardent feelings of the South Korean people as he saw to it that President Kim Il-song revered by all people is preserved in state forever.

Agreed with him, another professor so excitedly said:

History has never known such a great man possessed of sense of duty, noble loyalty and filial piety as the great leader Kim Chong-il.

He is model of true successors and the very incarnation of morality, because he realized the desire of the fellow countrymen to preserve President Kim Il-song in state.

Kim Chong-il's 'Ability' as Leader Extolled

SK0708022295 Pyongyang Korean Central Broadcasting Network in Korean
1031 GMT 5 Aug 95

[Unattributed talk: "Having a Great Leader (Yongdoja) With Extraordinary Traits and Qualifications Is Our People's Great Honor"]

[FBIS Translated Text] Our revolution is a great revolution that has most brilliantly solved the question of inheriting the leader's [suryong] cause and leadership. This gives the greatest pride and self-confidence to our party and people. The sensational incidents unfolded following the fatherly leader's death eloquently show how brilliantly the succession of leadership has been solved in our revolution. The past year was a year of struggle and advance in which the Korean revolution overcame the greatest grief and pioneered the road of victory with greater vitality.

During this difficult time, the great leader [yongdoja] Comrade Kim Chong-il led our party, Army, and people to work to inherit the fatherly leader's ideology and achievement without the slightest disarray. All party members, the entire Army, and all people have vigorously struggled on, while uniting like iron around Comrade Kim Chong-il. As in the past, our country has firmly maintained a high level of political stability.

Every country has had a time when the leadership of the revolution shifts generations. At the turning point, only our revolution conducted the work to inherit the blood of the party and revolution in such an in-depth and perfect way. This is an eventual consequence of resolving the issue of leadership succession in a farsighted way. The basic factor for most brilliantly resolving the issue of leadership succession in our revolution is that we have upheld a great leader [yongdoja] with extraordinary ability.

The great leader Comrade Kim Il-song taught: As Comrade Kim Chong-il has wisely led the overall work of the party, state, and Army since long ago, the issue of leadership succession has been brilliantly resolved in our country. Outstanding ability is the most important symbol of a leader's [yongdoja] greatness. A leader's ability is, in short, the extraordinary qualifications and personality to lead the revolutionary cause to victory to the end. Some of the important features are the skilled and tested leadership traits that can satisfactorily exercise political leadership over the entire society, rich experience accumulated in the course of the revolutionary struggle, and absolute authority over all party members and people. A great man with such qualifications and traits is a competent leader. A leader's greatness is inconceivable without ability. The successor inheriting the leader's [suryong] cause must be a competent leader [yongdoja].

The road of the revolution is arduous. The struggle to inherit the leader's cause is a very difficult and complicated task that requires smashing all sorts of maneuvers of the enemies of class, maintaining the life of the revolution, and leading the revolution down the single road of ceaseless escalation. Only a leader [yongdoja] with outstanding leadership, rich experience, and firm authority can shoulder all these heavy burdens of the revolution.

A leader [yongdoja] never comes to hold a leading position because someone else recommended him. What guarantees the absolute authority of the successor to the leader [suryong] is the leader's [yongdoja] ability. Brilliantly solving the leadership succession for the revolutionary cause of the working class ultimately depends on the leader's [suryong] farsightedness and the leader's [yongdoja] ability. The leader's ability decides the revolution's victory and the people's destiny.

The working class's revolutionary struggle to achieve socialism was waged in many countries in the world through a long history. The issue of leadership succession was not always correctly solved. Socialist ruling parties and socialist systems have collapsed in many countries recently. General-level party members and the people should not be held responsible. The problem was that they did not have a leader [chidoja] with extraordinary qualifications and traits in the center of leadership.

Actually, the failure to uphold a competent man who was qualified to inherit and complete the revolutionary cause, and the attempt to solve the succession issue through administrative and businesslike methods were important reasons for the collapse of socialism. The greatest fortune for people is to encounter a leader [yongdoja] with extraordinary greatness; the greatest misfortune is to encounter a wrong leader [chidoja].

Our people's chuche revolutionary cause is a historical cause that can be inherited and completed only by an outstandingly competent leader [yongdoja]. The ultimate goal of the chuche revolutionary cause is to achieve the full independence of the popular masses. The cause is an arduous struggle to plow an unfamiliar and untrodden road, a difficult struggle to build an ideal society for mankind while solving everything on one's own.

Just as with the struggle to pioneer the chuche revolutionary cause, the struggle to inherit and complete the cause also cannot take a single step forward without a tested leader with outstanding qualifications and traits. The extraordinary ability of the respected and beloved Comrade Kim Chong-il to shoulder all the heavy burdens of the chuche revolutionary cause makes him a great leader [yongdoja] upheld at the fore of the party and the revolution. Comrade Kim Chong-il's greatness as the successor of the chuche revolutionary cause lies in his outstanding ability.

A leader's extraordinary qualifications and traits are demonstrated in the actual practice of the arduous struggle for socialism and communism. The successor of the leader [suryong] with extraordinary ability and absolute authority must have a history of struggle that shines with proud exploits. The respected and beloved Comrade Kim Chong-il has led the overall party work, party building, and revolution and construction for over 30 years. The historic passage was a glorious period in which the golden age of the Workers Party of Korea unfolded through the outstanding ability of the leader [yongdoja], and a decisive advance was marked in the implementation the chuche revolutionary cause.

When the respected and beloved Comrade Kim Chong-il began leading the party work, the party and the revolution had very difficult and massive tasks. At that time, the great Comrade Kim Chong-il already had extraordinary qualifications that enabled him to cope with all the tasks of the times. As the fatherly leader started from scratch to establish the party and government, and build socialism of our own style in the old days, the firm position of the respected and beloved Comrade Kim Chong-il was to lead the party and people with his own ability, and to inherit and complete the leader's [suryong] revolutionary cause to the end.

The great leader [yongdoja] Comrade Kim Chong-il took control of the party with his gifted ability, and marked a great turning point in the chuche-based party construction, while carrying out cultural and art revolution. Under the slogan of modelling the entire society after the chuche idea, he created miracles and exploits that surprised the world in all aspects of politics, economics, culture, and military. The history of the revolutionary activities of the respected and beloved Comrade Kim Chong-il is a glorious struggle history of a great leader [yongdoja] that shows he made his way and produced immortal achievements with his own ability at all points.

People will spontaneously uphold an outstanding leader who devotes himself to the revolution. In the initial stage of implementing the cause of modelling the entire society after the chuche idea, our people upheld the respected and beloved Comrade Kim Chong-il as the great leader [chidoja] of our party and revolution. In the dawn of the eventful nineties, he was upheld as the supreme commander of our revolutionary armed forces. This was because Comrade Kim Chong-il's ability was great and extraordinary. Thus, the issue of leadership succession was most brilliantly resolved in our revolution by the leader's [suryong] far-sightedness and the leader's [yongdoja] extraordinary ability.

Today, all of our party members, officers and men of the People's Army, and our people are feeling deeper in their hearts the great blessing of upholding the respected and beloved Comrade Kim Chong-il, who has unrivaled extraordinary qualification and trait as the leader [yongdoja].

The greatness of the respected and beloved Comrade Kim Chong-il as an extraordinarily competent man is, above all, his natural endowments that firmly achieved political leadership in the whole society. The leader's [suryong] successor must have natural endowments as a leader [yongdoja]. It is an irrefutable truth of revolution that a leader's [yongdoja] natural endowments play a decisive role in the revolutionary struggle. Wisdom and leadership are important natural endowments of a leader of revolution. With wisdom that brightly lightens the future of revolution and leadership art that leads the revolution to ceaseless escalation, one can take charge of and pioneer the destiny of the revolution and people under whatever circumstances. Extraordinary wisdom and outstanding leadership are the ability of the leader [yongdoja]. Our respected and beloved Comrade Kim Chong-il is the best in ideological and theoretical wisdom and insight, as well as in leadership skill and method. He is a great man given by heavens.

The great leader [yongdoja] Comrade Kim Chong-il's wisdom has an extraordinary insight that catches the essential problem of an unpredictable and complicated matter in an instant, and a historical and theoretical insight that gives a complete answer to any difficult theoretical or practical problem. The respected and beloved Comrade Kim Chong-il also has extraordinary wisdom and is well versed in all aspects of politics, economics, culture, and the military. He also has outstanding political knowledge and profound learning that always astonishes our revolutionary fighters.

The respected and beloved Comrade Kim Chong-il's professional knowledge ranges from philosophy, politics, economics, law, and linguistics, to technology, engineering, botany, and other natural sciences; from our nation's long history and customs to the civilization of different countries; and from the lyrics and melodies of songs written long ago to the trends of modern literature and art. His unprecedented ideological and theoretical writing ability has successively published immortal works full of iron theories and gem-like propositions. The great leader [yongdoja] Comrade Kim Chong-il's extraordinary wisdom and knowledge give a full answer to any question arising in our revolutionary cause, the cause for anti-imperialism and independence, our people's social life, and development of mankind civilization.

The leadership of the great leader [yongdoja] Comrade Kim Chong-il is outstanding leadership that always finds him among the people, inspiring the wisdom and creativity of the people hundredfold and thousandfold; it is an extraordinary revolutionary deployment strategy that persistently leads the revolution to ceaseless escalation with bold attack spirit and operations. The leadership of the respected and beloved Comrade Kim Chong-il skillfully conducts revolution and construction like an art and sets a model of socialist politics. His leadership is tantamount to that of the fatherly leader, a veteran in world politics. The great Comrade Kim Chong-il's skilled and tested leadership smashes the antirevolutionary offensives of the enemies of socialism with revolutionary offensives, and brilliantly solves the difficult and complicated tasks of the times.

Particularly, the respected and beloved Comrade Kim Chong-il has outstanding military wisdom and commanding art that lead the cause for building a revolutionary army without the slightest deviation. This is why he is praised as the most competent leader [yongdoja] of the revolution. A leader in charge of the destiny of revolution must be well versed in politics and economics, as well as in military affairs, and must be able to control the armed forces. This is common sense in modern politics. The socialist cause of our times, which accompanies fierce class struggle, can be strongly defended only by a leader [yongdoja] with outstanding military wisdom and commanding art, a general-type leader [suryong].

Well versed in the military experience of the past and the present, the East and the West, and all aspects of modern military affairs, the respected and beloved Supreme Commander Comrade Kim Chong-il unsparingly demonstrated his traits as the most outstanding military genius of our times during the days he led the cause to assimilate the entire Army into the chuche idea. The great General Kim Chong-il has insight into the ever-changing military situation. His combat style is characterized by an outstanding strategy that puts the enemy instantly on the defensive, and a commanding art that grasps mountains of forces in one hand and moves all the Army under one order.

Because the respected Comrade Kim Chong-il is leading the Army and the people with such nature, our People's Army is displaying its pride as indomitable strong Army capable of smashing any powerful imperialist enemy, and our people as the heroic invincible people who do not know any defeat or frustration.

The respected Comrade Kim Chong-il has perfect nature as great politician and perfect talent as great and sagacious commander. It is greatest honor of our people to uphold him in the van of our party, the military and people.

The greatness of the respected Comrade Kim Chong-il as an outstandingly competent man lies in the fact he possesses abundant struggle experiences attained in the course of long revolutionary struggle.

The struggle experiences are precious assets which constantly advance the revolution. Only a leader [yongdoja], whose achievements made in the course of practical revolutionary struggle are great and whose experience is rich, can have absolute authority. The height of ability a leader has can be considered the height of his achievements and struggle experience.

While the great Comrade Kim Chong-il was leading the revolutionary cause in the vanguard of the people, he attained boundlessly abundant experience in party building, socialist construction, and in overall implementation of the socialist cause.

The respected Comrade Kim Chong-il gained immortal struggle experience, which all people praise, from the early stage of revolutionary activities, and won a reputation as a refined and skillful leader. His greatness is beyond compare.

The respected Comrade Kim Chong-il's guidance of the revolution and construction is a comprehensive guidance [chonmyonjogin yongdo]. The experience gained by Comrade Kim Chong-il has encyclopedic substance.

In the early stage of leading our party's work in the 1960's, the great leader [yongdoja] Comrade Kim Chong-il had already attained rich experience in the struggle to strengthen the unity and cohesion of the party and to establish the monolithic ideological system of the party. In the 1970's, '80's, and '90's, when he was leading the cause of modelling the whole society after the chuche idea, he acquired exceedingly abundant experience in all fields, including politics, the economy, culture and the military.

His experiences include building the party in a forward-looking manner by basically renovating the party's appearance; building all political organizations, including the popular government and worker's organizations, as powerful revolutionary weapons endlessly loyal to the party's leadership; reaching a new turning point in economic construction under the slogan of the speed battle; and unfolding the golden age in building chuche-based literature and art, publication and press, and so on.

Because the great Comrade Kim Chong-il possesses boundlessly abundant encyclopedic struggle experience, he is able to skillfully resolve all tasks raised in socialist construction.

This is the very reason why people highly praise the respected Comrade Kim Chong-il as almighty leader capable of resolving all problems without any difficulty.

The important characteristic of struggle experience possessed by the great leader [yongdoja] Comrade Kim Chong-il is a sense of the times and perfectness in giving answers to most urgent problems in modern politics.

Today the revolutionary cause of the working class is far advanced. The problems raised in defending, protecting, inheriting, and developing the socialist cause, are, all in all, very complicated. The political leader, who has comprehensively attained the experience in resolving such urgent tasks of today's world, is only Comrade Kim Chong-il.

The great leader [yongdoja] Comrade Kim Chong-il has brilliantly solved urgent social and political problems, including the problem of invariably defending the lineage attained by the leader [suryong] by leading the revolution in the van of the people during the complex period when the imperialists' antisocialist maneuvers were unprecedentedly strengthened; the problem of constantly strengthening the collectivist nature of socialist society; and the problem of crushing counterrevolutionary offensives with a revolutionary offensive.

The immortal works, such as "Socialism Is Science" and "It Is an Essential Demand for Carrying Out the Socialist Cause To Give Priority to the Ideological Work," deeply impressed the revolutionary people. This is because the works comprehensively contained the experience attained by the great Comrade Kim Chong-il in the course of personally leading the arduous Korean revolution.

A skilled leader [yongdoja] with rich experience is never stirred up or confused. The esteemed name of Comrade Kim Chong-il as an ever-victorious leader who knows no failure or retreat, and as a genius of the revolution who implements any difficult historical task at the highest level, will be endlessly glorified with the advancement of the revolutionary movement of our times. Because we highly uphold the great leader [yongdoja] Comrade Kim Chong-il, who has outstanding natural endowments and rich experience, the future of our revolution and fatherland has endlessly bright prospects.

Having an outstanding and able man as a leader, our country has established the most solid harmonious unity based on an absolute trust in the leader. The popular masses' absolute support for the leader is imperative for brilliantly achieving the leadership succession. Only a revolutionary leader with outstanding ability can receive such all-party support and all-people trust. The extraordinary trait and greatness of the respected and beloved Comrade Kim Chong-il has made our people absolutely trust Comrade Kim Chong-il as they trust in the heavens.

Walking along the thousands of ri of the road of the revolution while following the respected and beloved Comrade Kim Chong-il, our revolutionary fighters and people have come to feel the leader's greatness through actual experience and have solidified an absolute trust in the leader. Our people's trust in the leader is so pure that it will remain unchanged in times of joy or hardship. It is so absolute that it will not be abandoned even if the sky falls. Our people could overcome the great sorrow of losing the nation's fatherly leader [suryong] and dauntlessly stand up, firmly defending the three major slogans despite the imperialists' vicious maneuvers to stifle us, because their absolute trust in their leader [yongdoja] was thorough.

Our people agree in unison that as long as we have the respected and beloved Comrade Kim Chong-il, who has outstanding ability, we can overcome mountains and waves, and no strong enemy or nuclear weapon can frighten us. There are many leaders in history who led revolutions in support of the people, but no leader ever held the highest position of the party, Army, and the revolution with the support of all the people and the absolute support from the bottom of [people's] hearts like our respected and beloved Comrade Kim Chong-il. This proves that the leadership authority of the respected and beloved Comrade Kim Chong-il is firm.

Today, the great Comrade Kim Chong-il and our people are in a harmonious unity that literally does not allow 0.001 mm of distance. Harmonious unity is tantamount to the blood-ties between the fatherly leader and our people, which was formed with faith and fidelity in the arduous bloody anti-Japanese struggle, and strengthened amid the flaming sea of war and through the hard struggle of creation and construction. Experience in the actual practice of our revolution tells us that the eternity of the harmonious unity of the party and people depends on the leader's greatness and his outstanding ability.

Having an outstanding and able man as a leader, the issue of resolutely defending and inheriting the ideology and achievement of the leader [suryong] was most brilliantly resolved in our revolution. Inheriting the leader's [suryong] cause is the inheritance of ideology and achievement. Following the death of the great leader [suryong], and firmly defending the great leader's revolutionary ideology and achievement, has become more important in implementing our revolutionary cause. Revolutionaries who regard our own style of socialism as the beacon of hope; the international community; and the media closely watched how our party and people implemented the historical cause. No one expected we would conduct the work to defend the leader's ideology and achievement in such a pure and thorough manner.

With his extraordinary wisdom, the great leader [yongdoja] Comrade Kim Chong-il deepened the great leader's [suryong] revolutionary ideology in conformity with the aspiration of the times and the practical demand of our revolution; glorified our ideology as the guiding ideology of the times; and vigorously led all party members, people, and the entire Army in the struggle to implement the leader's [suryong] will with his extraordinary organizational skill and leadership.

Thanks to the energetic leadership of the respected and beloved Comrade Kim Chong-il, the work to learn the ideology and theory policy that was historically presented by the leader [suryong] is being conducted in-depth and in an unprecedented manner in our country under the slogan "Let us more thoroughly arm ourselves with the revolutionary ideology of the great leader Comrade Kim Il-song!" In agencies, enterprises, Army units, schools, and villages where traces of the history of the great leader's [suryong] leadership can be found, the work to glorify the leadership achievement is being vigorously conducted. The struggle is further deepened to strengthen and develop the party, state, and Army founded by the leader into the party, state, and Army of Comrade Kim Il-song forever.

Today, all party members, officers and men of the People's Army, and people consistently walk as one in the general march to endlessly elucidate my country and fatherland by highly upholding the party Central Committee's slogans. This is a clear display of the outstanding ability possessed by the respected and beloved Comrade Kim Chong-il.

Since there is the great Comrade Kim Chong-il, the fatherly leader lives eternally just as when he was alive, as the eternal sun of chuche and a saint of the revolution. The leader's eternal life is the people's eternal life, as well as the eternal life of the sociopolitical organic body. The greatest hope and desire of the people who have been living and struggling amid the unified body of the leader, the party, and the masses is for the leader's eternal life, which is the pillar of faith and the sun of life.

The greatness of the leader's successor lies in elucidating the leader's absolute authority generation after generation, most brilliantly realizing the people's desire for the leader's eternal life.

After the fatherly leader's death, the great leader [yongdoja] Comrade Kim Chong-il devoted all his heart, soul, and energies to eternally preserve the leader as when he was alive. It was the respected and beloved Comrade Kim Chong-il who took the historic initiative of making the Kumsusan Memorial Palace, where the great leader led our revolution and the anti-imperialist cause for independence over a long period, as the supreme sacred ground of chuche. It was also our Comrade Kim Chong-il who made it possible to complete this lofty work at the highest level while energetically guiding the work from its design and concrete construction on scores and hundreds of occasions.

The Kumsusan Memorial Palace, the supreme sacred ground of chuche, is indeed a crystal of sincerity that the respected and beloved Comrade Kim Chong-il dedicated to the fatherly leader, and historical proof manifesting Comrade Kim Chong-il's distinguished greatness. The respected and beloved Comrade Kim Chong-il's will and ideas are intensified here; his sagacity and leadership lie here; and his character and high moral repute are wholly resulted here.

Therefore, people consistently say that if anyone wants to deeply bear in their hearts the greatness of the respected and beloved Comrade Kim Chong-il as a loyal successor of the leader and outstanding man of influence, they must visit this great palace of the sacred revolution.

The greatness of the respected and beloved Comrade Kim Chong-il, who highly upholds the great Comrade Kim Il-song as an eternal leader and who is brilliantly succeeding and completing the leader's cause, will be eternally conveyed along with the Kumsusan Memorial Palace, the supreme sacred ground of chuche.

The revolution's victory and the rosy future lie with the people who are upholding the great leader [yongdoja]. Currently, our revolutionary fighters see the great Comrade Kim Chong-il's outstanding ability in the might of our single-hearted unity, which is strengthened and developed with each passing day, and in the dignified appearance of the Kim Il-song Korea that prospers. Comrade Kim Chong-il's ability is an invincible strength that can smash any enemy's offensive and turns misfortune into fortune. It is also a driving force enabling our revolution to endlessly advance toward the future of communism. This is the fundamental source of all miracles and feats that occur in modern Korea.

No one knows the limit to the ability resulting from outstanding disposition and abundant experience. The historic struggle of our party and people to succeed and complete the great leader's revolutionary cause ceaselessly continues. We may experience unexpected difficulties and trials along this road, but we have the fundamental guarantee promising the unlimited future of the revolution.

Beginning scores of years ago, our revolution had already solved the problem of the leadership succession in accordance with the people's intention. The great Comrade Kim Chong-il, who has been upheld foremost within the revolution [hyongmyongui choego suwie chudaedoesigo] with his outstanding ability and who leads the people with that ability, stands at the forefront of the revolution.

As long as there is the outstanding and refined leadership of the great leader [yongdoja] Comrade Kim Chong-il, our people's historic struggle to accomplish the chuche cause will be brilliantly embroidered as a history of victory and feats of winning 100 times after fighting 100 times.

Kim Chong-il's Ideological Work Hailed

SK0708130995 Pyongyang Korean Central Broadcasting Network in Korean 2244 GMT 1 Aug 95

[Unattributed talk from the "Ray of Chuche" program: "Perfect Explanation on Essence of Ideological Work"]

[FBIS Translated Text] In his classical work "Giving Priority to Ideological Work Is an Indispensable Requirement for Accomplishing the Socialist Cause" the great leader [yongdoja] Comrade Kim Chong-il perfectly elucidated the essence of the ideological work of the working class party.

Correctly elucidating the essence of the ideological work of the working class party's struggle for socialism is an important problem that arises in firmly deepening socialism's ideological fortress and in victoriously advancing socialism's cause.

In his current classical work the great leader Comrade Kim Chong-il, who scientifically analyzed the noble practical experience of our revolution and the historic lesson of the international communist movement through his outstanding ideological and theoretical wisdom and sharp insight, has formalized anew the essence of the ideological work of the working class party in a scientific manner.

The great leader Comrade Kim Chong-il has indicated: The ideological work of the working class party's struggle for socialism is ideological and theoretical work to deepen and develop socialist ideology in conformity with the demands of the times and the developing revolution and is also ideological indoctrination work to arm the popular masses with socialist ideology.

As indicated by the great leader Comrade Kim Chong-il: The ideological work of the working class party's struggle for socialism is, in essence, ideological and theoretical work as well as ideological indoctrination work. The ideological work of the working class party is, among other things, ideological and theoretical work to deepen and develop socialist ideology in conformity with the demands of the times and the developing revolution.

The working class party is the leading political organization to guide the cause of independence of the popular masses. Therefore, correct guiding ideology and theory is needed for the working class party to outstandingly perform its mission and role as the leading political organization. By so doing, the working class party can provide clear struggle goals and direction and the method for their realization to the popular masses and vigorously organize and mobilize the broad masses into accomplishing the cause of socialism.

Socialist ideology and theory are provided based on generalizing the demands of the times and experiences in the practice of the revolution in the course of the development of the revolutionary struggle of the working class. So, socialist ideology and theory become not only an ideological and theoretical weapon of the popular masses' struggle for socialism, but also a guiding principle for their struggle.

Meanwhile, the conditions and circumstances under which the revolutionary struggle is carried out will change, history will advance, and realities will change and develop constantly.

The present times—in which the revolution and construction are constantly deepened and developed and in which numerous new theoretical and practical problems are presented—demand that socialist ideology and theory be further deepened and developed. In approaching the (?existing) theory in conformity with the demands of the times, the working class party should examine which demands of the times it reflects and under what [word indistinct] it has emerged, and it should creatively develop the theory in conformity with specific realities and characteristics.

The starting point of the ideological and theoretical work of the working class party is not an existing theory, but a reality; and the basis of ideological and theoretical work, as well, lies not in whether the ideological and theoretical work accords with the existing theory, but in whether it accords with the popular masses' demands and interests, and the subjective and objective conditions of an appropriate period of history.

A serious lesson shown by history is that if the working class party fails to correctly carry out its ideological and theoretical work, a revisionist degeneration or a dogmatist stagnation of socialist ideology will result. Accordingly, socialism will fail to have a correct guiding principle and will be unable to escape vicissitudes and failure.

The frustration of socialism in some countries was precisely a result of the lack and degeneration of their scientific and revolutionary ideology and theory.

As shown, deepening and developing socialist ideology is a problem related to the destiny of socialism, and it forms the essential content of ideological work.

The ideological work of the working class party's struggle for socialism is also ideological indoctrination work to arm the popular masses with socialist ideology. Firmly arming the popular masses with socialist ideology is a decisive guarantee for victoriously advancing the cause of socialism by strengthening the main force of socialist society and by enhancing its role.

The main force of socialist construction is precisely the popular masses armed with socialist ideology. We cannot think of the destiny of socialism apart from the popular masses.

The decisive factor determining the development of socialist society and its destiny is none other than the popular masses armed with socialist ideology. Therefore, the working class party should not only provide a correct guiding ideology and a guiding theory for accomplishing socialism's cause, but also properly conduct ideological indoctrination work to arm the popular masses with a correct guiding ideology and theory.

Only when ideological indoctrination work is properly carried out can we awaken the popular masses ideologically, firmly rally them organizationally, and lead them to meet their responsibility and perform their role as the main force of socialism, that is, the masters of the state and society.

The superiority and might of socialist ideology are ensured by ideological work. In other words, when the working class party conducts ideological indoctrination work to firmly arm the broad popular masses with socialist ideology in a substantial manner, the popular masses can make ideological indoctrination work their firm faith, and ideological indoctrination work can be turned into a mighty material force in accomplishing the cause of socialism.

Of course, because it reflects the independent aspirations and desire of the popular masses, socialist ideology has a greater driving force than any other ideology and can be easily accepted by the masses. Also, the socialist economic relationship with socialist ownership as its basis becomes a material condition to arm the popular masses with socialist ideology. However, the popular masses do not come to have socialist ideology spontaneously, even though they have socialist ideology and there is a socialist economic relationship.

The work of eliminating old ideology from men's heads and arming them with socialist ideology can be carried out only through consistent and active ideological indoctrination and ideological struggle. Therefore, for the working class party to build the socialist ideological position into an invincible position, it is imperative to vigorously perform ideological indoctrination work along with ideological and theoretical work.

The great leader Comrade Kim Chong-il's scientific elucidation of the essence of ideological work is very significant in the development of the revolutionary theory of ideological work of the working class and in their accomplishment of the cause of socialism.

In addition to the scientific elucidation of the essence of ideological work, the basic foundation that can extensively develop and systematize the revolutionary theory on ideological work of the working class has been provided and the guiding principle that enables the working class party to carry out ideological work without the slightest degree of inclination and twists and turns has been provided.

That the great leader Comrade Kim Chong-il has scientifically formalized the essence of ideological work in his classical work "Giving Priority to Ideological Work Is an Indispensable Requirement in the Accomplishment of the Socialist Cause" is a scientific and theoretical summing up of the noble experiences that he has registered in the protracted course of his wise leadership in the cause of socialism.

The respected and beloved General Kim Chong-il, who presented the theory on the chuche idea in his early days, has solved all problems arising in socialist construction by setting the ideology of the popular masses in motion and by enhancing their ideological consciousness. Thus, he has seen to it that our party creates a brilliant example in socialist ideological work.

The theory on the essence of ideological work in which the rich experience of our party's ideological work has been generalized and synthesized is an ideological and theoretical principle that the working class parties struggling for socialism should firmly grasp permanently.

Kim Chong-il's Efforts for Unity Praised

SK0808074995 Pyongyang Korean Central Broadcasting Network in Korean 2240 GMT 3 Aug 95

[Unattributed talk: "In Order To Strengthen the Might of Single-Hearted Unity"]

[FBIS Translated Text] Today our people are vigorously accelerating socialist construction by firmly uniting as one mind around the great leader [yongdoja] Comrade Kim Chong-il.

The great leader Comrade Kim Chong-il has indicated: Adhering to the tradition of cohesion and unity provided by the leader [suryong] and further consolidating and developing the single-hearted unity of the leader [suryong], the party, and the masses are honorable tasks facing our party today.

Calling adherence to and the strengthening of the tradition of single-hearted unity the key related to the destiny of socialism, the great leader Comrade Kim Chong-il has concentrated great efforts on its realization. In achieving the single-hearted unity of the leader [suryong], the party, and the masses the great leader Comrade Kim Chong-il has solidified its ideological foundation.

Comrade Yang Yong-chu, vice director of an institute of the Academy of Social Sciences, says:

[Begin Yang Yong-chu recording] Our single-hearted unity today is the greatest single-hearted unity firmly linked as one social and political organism in which the leader, the party, and the masses share the same destiny.

The great leader Comrade Kim Chong-il, who treasures and is adding luster to the tradition of cohesion and unity provided during the days of the anti-Japanese struggle, clearly elucidated the political [words indistinct] of single-hearted unity. Already in his early days the great leader Comrade Kim Chong-il presented the ideology that our cohesion and unity should be formed with the great leader Comrade Kim Il-song as the center. Thus, he gave a perfect answer to the question of center, which is the core in unity, and, accordingly, saw to it that the center of our single-hearted unity was firm and invariable without shaking and that it was brilliantly inherited. This has been a valuable guiding principle in constantly consolidating our single-hearted unity and in inheriting it generation after generation. He also gave a clear explanation to not only the center of unity, but also its ideological foundation.

He taught that to make cohesion and unity solid we should seek unity of ideological will, which is based only on one ideology, not businesslike cohesion and unity, and that we should achieve unity of ideological will based on the chuche idea.

This teaching is a programmatic principle to make our single-hearted unity invincible cohesion and unity. Furthermore, he presented a unique theory on social and political organisms and clarified a revolutionary sense of obligation and principle of comradely love. Thus, he has made our single-hearted unity a single-hearted unity that is firmly rallied not only ideologically and volitionally, but also morally and ethically. This constitutes an immortal achievement that has made our single-hearted unity the highest-level great cohesion and unity that cannot be witnessed anywhere in this world. [end recording]

The great leader Comrade Kim Chong-il has made all energetic efforts to make the single-hearted unity of the leader [suryong], the party, and the masses a most solid one.

It was the summer of 1970. The respected and beloved Comrade Kim Chong-il, who was giving on-the-spot guidance to a local district in South Pyongan Province, rested for a moment at a lakeside at sunset. Looking at beautiful flowers on the lakeside, he told a functionary to sharply observe which flowers the bees and butterflies swarmed over and which flowers they did not. Then he made the following meaningful remarks.

The respected and beloved Comrade Kim Chong-il said: Why do bees and butterflies swarm over fragrant flowers? It is because there is flower nectar in fragrant flowers and because bees and butterflies cannot survive without the flower nectar. Why do flowers emit their fragrance? Because when bees and butterflies swarm, flowers grow well and bear seed.

Then, he said that the relationship between the party and the people is the same. He said that only when the popular masses receive the party's leadership, while entrusting their destinies to the party, their vanguard organization, can they glorify their political lives and that, likewise, only when the party rallies the masses around can it be victorious in the revolution.

Functionaries were deeply moved by this profound truth while listening to these remarks of the great leader Comrade Kim Chong-il.

Saying that only when the party and the people are firmly united as one can they be victorious in the revolution and the existence of the party itself be maintained, the respected and beloved Comrade Kim Chong-il stressed that unity with the popular masses is precisely the raison d'etre of our party.

Even during a moment's rest while giving on-the-spot guidance, the respected and beloved leader Comrade Kim Chong-il taught functionaries single-hearted unity between the party and the people.

One day when he gave on-the-spot guidance to the whole east coast area the respected and beloved leader Comrade Kim Chong-il also gave a precious lesson on single-hearted unity between the party and the people.

That day, the respected and beloved general taught functionaries about properly carrying out work with the masses and stated: To make cohesion and unity between the party and the people invincible, it is important to lead all party members and working people to sincerely follow the party and to uphold the party with their faith. In other words, we should educate all people so that they can clearly realize that only when they uphold the party and share their destiny with the party can they enjoy a rewarding and happy life.

The respected and beloved general said that to make cohesion and unity a solid one it is imperative for the cohesion and unity to be rallied based on commonness in ideology and commonness in faith and stressed: We should thoroughly arm all party members and working people only with the great leader's [suryongnim] revolutionary ideology, that is, our party's unitary ideology, and should lead them to more firmly rally based on this. We should make all possible efforts for this.

Then, he said that to achieve firm unity it is imperative to revere the leader [suryong] of the revolution and to rally around the leader [suryong] and that this is a principle.

The respected and beloved Comrade Kim Chong-il taught us that trust in and reverence of the leader [suryong] are the most solid foundations of cohesion and unity of our party and people and that cohesion and unity based on faith and a sense of obligation is precisely the cohesion and unity of the party and the people that we are seeking to achieve.

Like this, even during on-the-spot guidance in a remote district, the respected and beloved Comrade Kim Chong-il put his body and soul into achieving our party's cohesion and unity, that is, single-hearted unity. Thus, he has made all possible efforts to make the might of our party's cohesion and unity a most solid one.

Thanks to his wise leadership, the single-hearted unity of the leader [suryong], the party, the masses has reached the highest level in our country today, and enemies are trembling with fear before its might.

Today, our people have turned the sorrow of losing the fatherly leader [suryong] into might and courage. They are overflowing with the firm faith to achieve the cause of socialism and the country's reunification through the might of single-hearted unity that has firmly rallied around the great leader Comrade Kim Chong-il.

Foreigners Pay Respects to Kim Il-song

Liaoning Group Visits Kumsusan

SK0908044595 Pyongyang KCNA in English 0413 GMT 9 Aug 95

[FBIS Transcribed Text] Pyongyang, August 9 (KCNA) — The delegation of the Academy of Social Sciences of Liaoning, China, led by its deputy president Wang Junwei, on August 8 visited the Kumsusan Memorial Palace in which the great leader President Kim Il-song is preserved in state, and paid homage to him.

The head of the delegation wrote in the visitor's book that Comrade Kim Il-song, the great leader of the Korean people and an intimate friend of the Chinese people, would be immortal.

Australians Visit Mansu Hill

SK0908045795 Pyongyang KCNA in English 0427 GMT 9 Aug 95

[FBIS Transcribed Text] Pyongyang, August 9 (KCNA) — A delegation of Korean residents in Australia led by An Chong-su, chairman of the Australian headquarters of the National Alliance for the Country's Reunification (Pomminnyon), on August 8 visited the statue of the great leader President Kim Il-song on Mansu Hill.

It is on a visit to the homeland to participate in the grand national reunification festival celebrating the 50th anniversary of the country's liberation.

The delegation laid bouquets before his statue with deep respect and paid homage to him.

Earlier, a delegation of the International Korean Association (Unity) led by Vice-chairman Chu Yong-il called at the statue of President Kim Il-song to lay a floral basket and made a bow.

The head of delegation noted in a statement upon arrival in Pyongyang that the members of the International Korean Association (Unity) will hold in higher esteem the great leader Marshal Kim Chong-il, who is carrying forward President Kim Il-song's cause of reunification, and will devote all their efforts to the struggle for national reunification.

WPK Replies to Foreign Party Leaders

SK0908044095 Pyongyang KCNA in English 0412 GMT 9 Aug 95

[All names are as received]

[FBIS Transcribed Text] Pyongyang, August 9 (KCNA) — The Central Committee of the Workers' Party of Korea [WPK] sent messages to a party and party leaders of various countries in reply to their messages on the occasion of the first death anniversary of the great leader President Kim Il-song.

They were sent to the Central Committee of the Communist Party of China, Yacob Zayadine, general secretary of the Central Committee of the Jordanian Communist Party, Yohei Kono, president of the Liberal Democratic Party of Japan, and Masayoshi Takemura, chairman of the new party Sakigake of Japan.

The reply messages expressed deep thanks to them for their messages honouring the memory of President Kim Il-song on his first death anniversary.

They expressed the belief that the friendly relations between the Workers' Party and people of Korea and the parties and peoples of those countries would grow stronger and develop.

Basic Ideals of Foreign Policy Stressed

SK0808144495 Pyongyang Korean Central Broadcasting Network in Korean 0852 GMT 8 Aug 95

[Unattributed talk: "Independence, Peace, and Friendship are Basic Ideals of the Foreign Policy of Our Party and the Government of the Republic"]

[FBIS Translated Text] Today, our Republic has high international prestige and reputation. This is the result of the respected and beloved leader Comrade Kim Il-song's presentation of an independent foreign policy during his lifetime, as well as a result of the great leader [yongdoja] General Kim Chong-il's wise leadership of the struggle to implement it.

The great leader Comrade Kim Il-song taught: Independence, peace, and friendship are the basic ideals of our Republic. This will have universal significance for developing international relations in compliance with the demands of independence throughout the world.

Starting with the chuche idea and based on his scientific insight into the basic characteristics of modern times and the trend of the development of international relations, the respected and beloved leader [suryong] presented independence, peace, and friendship as the basic ideals of our Republic's foreign policy.

Independence is of the utmost importance in the basic ideal of foreign policy of our party and the government of the Republic. Independence is the life of the country and nation, as well as the basic symbol of an independent and sovereign state.

Only when the ideal of independence is achieved in the state's activities can we successfully accomplish the nation's dignity, the country's independent development and prosperity, and the cause for independence throughout the world. From the viewpoint of an independent stance, our party and the government of the Republic are independently establishing a foreign policy and thoroughly safeguarding the country's sovereignty, dealing with all problems in international relations according to their life and judgment.

The government of the Republic is not only thoroughly refuting intervention, pressure, threats, and blackmail by various outside forces, but is also resolutely opposing all attempts and plots to intervene in other countries' internal affairs. By firmly adhering to independence, our people will strongly safeguard the revolutionary faith and principles and vigorously embark upon the socialist road they themselves choose.

The idea of peace is a prerequisite demand that came from the intrinsic nature of our country's state social system. No class strata that is interested in aggression or war against another country exists in our country, where the most superior socialist system is prepared in which the working popular masses become masters of everything and in which everything serves them. All people expect that a durable, solid peace and security will be maintained in our country and in the rest of the world.

Therefore, our people resolutely oppose the imperialists' policy of confrontation by force and their policy of aggression and war, constantly calling for the suspension of weapons reinforcement, the dissolution of the military bloc, the abolition of foreign military bases, and the withdrawal of the foreign troops. Also, they demand that a nuclear-free zone and a peace zone be established in many areas throughout the world; that the testing, production, stockpiling, and use of nuclear weapons not be carried out throughout the world; and that all nuclear weapons be removed. The ideal of peace has firmly guaranteed the peace-loving policy and the peaceful foreign activity of our party and the government of the Republic.

The firm policy of our party and the government of the Republic is to strengthen friendship with other countries. The ideal of friendship reflects the aspiration of our people and progressive peoples throughout the world who want all countries to establish and develop their relations based on independence and equality. Our country is a part of the world and our people's cause for socialism is being developed under close relations with the world people's cause for independence.

For our people to win a victory in the socialist cause, they should strengthen its global independent force and consolidate solidarity with it, along with fortifying the chuche revolutionary force. When they do so, they can safeguard the national interest and sovereignty of our people in the international arena, as well as accelerate the victory of the cause for independence.

Upholding the banner of independence, peace, and friendship presented by the great leader Comrade Kim Il-song, our party and the government of the Republic—under the wise leadership of the respected and beloved General Kim Chong-il—are smashing all kinds of maneuvers by imperialists and reactionaries who want to obliterate our socialist cause. They are firmly defending the country's peace and security and are extraordinarily enhancing the country's international position and reputation.

The party Central Committee's slogan on the occasion of the 50th anniversary of the founding of the Workers Party of Korea points out demands that we make international society become independent and democratic under the banner of independence, peace, and friendship; and that we actively struggle to build a new free, peaceful, and friendly world without domination and subjugation.

This is a revolutionary slogan that correctly reflects the popular masses' aspirations and desires. Therefore, presented in this slogan are the tasks of the times that the revolutionary parties and people throughout the world should follow to build a new independent and peaceful world with their united might.

Upholding the militant tasks presented in the party Central Committee's slogan, our people will—under the wise leadership of the great leader Comrade Kim Chong-il—firmly adhere to the foreign policy of independence, peace, and friendship presented by the respected and beloved leader [suryong] and accelerate the socialist cause in our country. By so doing, they will vigorously advance independence throughout the world.

Workers Dispatched to Cooperative Farms

SK0908043595

[FBIS Editorial Report] Pyongyang Korean Central Television Network at 1100 GMT on 7 August carries a two-minute report on members of the three revolutions team dispatched to the cooperative farm where Yi Yunman works to build a 200-meter long bridge on a cooperative farm. The report includes interviews by a reporter with members of the three revolutions team dispatch to the farm and other members from the farm on the construction of the bridge. The reporter says the construction of the bridge was completed on 6 July.

Pyongyang Korean Central Television Network at 1100 GMT on 7 August carries a two-minute report on Yi Chong-chol and Han Tae-il, workers at the external construction complex, who are volunteering to move with their families to Kochang cooperative farm in Chollima district and (Yongchon) cooperative farm in Hwangju County respectively. The report describes people sending them off.

Ancient Dolmen Found in South Pyongan Province

SK0808233495 Pyongyang KCNA in English 2158 GMT 8 Aug 95

[FBIS Transcribed Text] Pyongyang, August 8 (KCNA)—Archaeologists of the Academy of Social Sciences of Korea recently discovered a dolmen in Songchon County, South Pyongan Province.

This dolmen has been unearthed with no flat stone but two upright stones on the left and right and other blocks. It lies in the direction of northwest and southeast.

The tomb is 168 centimetres long and 100 wide. Its floor is coated with broken limestones after being hardened with red clay.

Discovered in the tomb were a narrow brass sword, a brass dagger, two bronze ornaments and pieces of two clay dishes.

The brass sword without the hilt and the brass dagger (14 cm in length, 1.8-2.3 cm in width and 0.2 cm in thickness) and the bronze ornaments are dark blue and rustless.

The broken earthware made from clay, fine sand and other materials is brown and without patterns.

According to scientific measurement, these remains have proved to date back to the 14th century before Christ.

South Korea

Liaison Offices Reportedly Opening in Nov

SK0908014495 Seoul TONG-A ILBO in Korean 9 Aug 95 p 2

[Report by Yi Chae-ho from Washington]

[FBIS Translated Text] It was learned on 8 August that North Korea and the United States will open liaison offices in Washington and Pyongyang in November.

A Washington diplomatic source said, "Even though the opening of liaison offices has been delayed, the two countries have agreed to finalize the issue by November at the latest," and added, "the United States expects issues concerning the number of personnel, telecommunication facilities, and the office building to be resolved by then."

KEDO Team Plans To Visit North 14 or 15 Aug

SK0908014795 Seoul YONHAP in English 0134 GMT 9 Aug 95

[FBIS Transcribed Text] New York, Aug. 8 (YONHAP) — The Korean Peninsula Energy Development Organization (KEDO) will dispatch a team to North Korea on Aug. 14 or 15 to survey proposed sites for the construction of two light-water nuclear reactors, KEDO's deputy executive director Choe Yong-chin said Tuesday.

Choe said the itinerary of the survey team's visit to the North has virtually been fixed since North Korea did not raise any objection.

The survey mission will be manned by 15 people, comprising 10 experts (four Koreans, two Americans and four Japanese), three to four American administrative members and an interpreter, he said.

It has been known here that Japan will bear the expenses of the survey team's activities in North Korea.

Labeling the mission's upcoming visit as a preliminary one, Choe asserted there should be several more such visits for a full-fledged survey to be started.

North Korea has asked the KEDO to present the visitors' personal records en bloc without making any particular demand for South Korean members of the mission, he stated.

He added the KEDO is currently sounding out the North Korean mission to the United Nations about having the KEDO-North Korean negotiations on providing the light-water nuclear reactors at the end of this month.

North Detains Ship on 'Spying' Charges

SK0908025595 Seoul YONHAP in English 0245 GMT 9 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 9 (YONHAP) — The third round of talks between South and North Korean authorities, originally slated for Thursday in Beijing, has been postponed indefinitely as North Korea abruptly refused to come to the meeting, arguing that a South Korean rice-carrying vessel has engaged in "spying activities" at a North Korean port.

North Korea is presently detaining the South Korean ship by force to probe into the alleged spying activities such as photo-taking, a government official here said.

He said North Korea unilaterally notified South Korea that it could no longer hold inter-Korean rice talks under the situation that "the South Korean vessel engaged in spying activities by taking photographs at a North Korean port."

Accordingly, the South Korean delegation which was scheduled to fly to Beijing Wednesday for the talks has canceled its departure.

The official said that working-level contacts between South Korea's Trade and Investment Promotion Agency (KOTRA) and North Korea's Samcholli General Trading Corp. aimed at fixing the timetable and agenda items of the talks underwent rough sailing due to North Korea's such denunciation.

He said he would not even rule out the possibility that the inter-Korean rice talks may be stopped.

NUB Makes Statement on Incident

SK0908061295 Seoul National Unification Board Press Release in Korean 9 Aug 95

[Press Release issued by the National Unification Board [NUB] on 9 August; furnished by the National Unification Board]

[FBIS Translated Text] At 2200 [1300 GMT] on 2 August, the government was notified by Singapore's "Dayi Shipping," a shipping agent designated by North Korea, that Mr. Yi Yang-chon (born in 1962), chief mate officer of the Samson Venus which entered Chongjin, was found taking photographs of Chongjin Port at 1200 on 2 August. His film was confiscated, and he is under investigation by North Korean authorities.

The government received similar notification on 3 and 4 August from North Korea's Korea Samcholli General Company.

Assessing the incident as an important issue related to the personal safety of our crewmen, on 4 and 6 August the government instructed the Korea Trade and Investment Promotion Agency to send a telegram to the Korea Samcholli General Company demanding direct telephone conversation with the ship's captain, and asking the North Korean side to promptly notify the ROK of the investigation result and of its stance.

On 7 August, we sent a message in the name of Yi Sok-chae, vice minister of finance and economy and the chief ROK delegate to the Beijing talks, to Chon Kum-chol, North Korean chief delegate, urging an early and smooth resolution of the incident, pursuant to the agreement of the first round of the Beijing talks, which stipulated that all problems arising in the course of rice transportation would be solved through discussions between the two delegations.

In response to the above message, North Korea sent a message in the name of chief delegate Chon Kum-chol at 2100 [1200 GMT] on 8 August, stating: "As revealed by Yi Yang-chon's confession, his picture-taking was premeditated espionage and a provocation." The message demanded that the ROK "apologize and promise such incidents will not happen again, sincerely implement the agreement on the rice aid, and invariably pursue the rice aid" to North Korea. The message continued: "Under the circumstances, the third round of contacts cannot be held as scheduled."

The unloading of the Samson Venus had been delayed for three days due to heavy rain, and was completed at 0400 on 6 August. However, the ship has not been able to depart as yet.

The ROK Government's Position

Even though North Korea alleges that the photographing by an ROK crewmember was premeditated espionage, the ROK Government finds it difficult to accept North Korea's allegation as it is impossible to confirm the fact at present.

Since the ship has completed the unloading [of rice], and since North Korea guaranteed the personal security and safe return, the North Korean authorities should immediately return our ship and crew.

The ROK Government considers the personal security of our citizens top priority.

The ROK Government will propose a meeting between North and South Korean delegates to resolve the incident over Yi Yang-chon pursuant to the agreement of the first round of the Beijing talks, which stipulates that all problems arising in the course of the rice transportation shall be solved through discussions between the two delegations. The government will also take diplomatic actions and exert multi-lateral efforts as circumstances may require.

The ROK Government expects that the Samson Venus and its 21-member crew, including Yi Yang-chon, will return at the earliest date possible.

As has been agreed upon, the ROK Government's position on supplying rice to North Korea remains unchanged, but we hereby express the point that the supply of the remaining rice aid will be inevitably postponed until the incident reaches a satisfactory settlement.

Kim Yong-sam Calls for Patience

SK0908091395 Seoul YONHAP in English 0906 GMT 9 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 9 (YONHAP) — President Kim Yong-sam on Wednesday called for patience in dealing with North Korea.

"On inter-Korean issues, the government will be in no hurry but practice patience," the chief executive said, apparently referring to the abrupt, indefinite postponement of the inter-Korean authorities' rice talks slated for Thursday in Beijing.

North Korea has called off the rice talks, charging a South Korean freighter "[Samson] Venus" now in North Korea's port city of Chongjin to deliver rice aid with spying activities on account of a chief mate's photographing.

President Kim made the remarks over a luncheon meeting he hosted at Chongwadae [presidential offices] for the heads of 30 largest business groups, including Chairmen Choe Chong-hyon of Sunkyong, Chong Se-yong of Hyundai and Yi Kon-hui of Samsung and President Pak Sang-hui of the Korea Federation of Small Businesses, presidential spokesman Yun Yo-chun said.

Kim exhorted the conglomerates to render positive support to small- and medium-sized enterprises so the latter may overcome their acute financial and managerial difficulties.

As to his formula of administering state affairs, the spokesman quoted Kim as saying, "Whoever says what, I'll take the righteous road based on principles. I'll be satisfied with doing my best as president (in managing state affairs)."

On the issue of political funds, President Kim reminded his guests, "Upon assuming my duty, I pledged publicly not to receive even a penny from enterprises or anyone else during my five years of tenure... I've never asked for money from any of you and none of you must have given me even a penny.

"I still firmly believe that this (eradication of political funds) is the most important factor in curing the Korean diseases, corruption in particular."

Working-Level Contact Proposed

SK0908111795 Seoul YONHAP in English 1109 GMT 9 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 9 (YONHAP) — The South Korean Government on Wednesday proposed a South-North working-level contact in Beijing Thursday to discuss the holding of a South Korean rice transport vessel, Samson Venus, by the North.

In a message, the South expressed a regret over the setback suffered in the implementation of the rice agreement due to the incident and called for a prompt contact pursuant to the provisions of the Beijing South-North agreement.

The North was detaining the vessel on the ground that one of its crew took a picture of the Chongjin harbor on last Aug. 2 in violation of the Beijing agreement.

They also called off the third-round South-North talks set to begin in Beijing Thursday.

The South said in the message signed by Vice Finance and Economy Minister Yi Sok-chae that though North Korea brands the photo-taking as a "premeditated spying act," the South had never given him instructions to take picture in the North.

The message was addressed to Chon Kum-chol, the North's chief delegate to the Beijing rice talks.

The South also stressed that there should be an opportunity to verify the North Korean claim, adding that if the crew man actually took a picture in a personal mistake, "We regret it but believe the matter could be resolved satisfactorily in the spirit of mutual respect. [no closing quotation mark as received]

A Unification Board spokesman said that the Beijing agreement provides for the resolution of any problem that arises in the course of rice shipment through discussion between the two delegations.

"We hope the issue could be settled at Thursday's contact so that rice shipment would resume and the third-round rice talks could be held at the earliest possible time," he added.

Rice Delegation Cancels Trip

SK0908054295 Seoul MUNHWA ILBO in Korean 9 Aug 95 p 1

[FBIS Translated Text] An incident has taken place in which the North Korean authorities have detained a South Korean rice-carrying vessel. As a result, the North-South rice talks are in danger of being suspended. It has been confirmed that the detained South Korean rice-carrying vessel is the Samson Venus which departed from Pohang for Chongjin, North Korea on 31 July.

A government official concerned revealed on 10 August: The third round of the North-South rice talks, originally scheduled to be held in Beijing, beginning on 10 August, has been postponed indefinitely as North Korea unilaterally notified our side of its stance of refusing to attend the talks, arguing that "the South side conducted spying activities in the course of shipping rice."

Accordingly, our side's seven member-delegation, led by Yi Sok- chae, vice minister of the Ministry of Finance and Economy, which was to leave for Beijing via Kimpo Airport on the morning of 9 August, canceled its departure.

It has been learned that on 9 August at dawn, North Korea, through the working-level channel between North Korea's Samcholli General Trading Corp and South Korea's Trade and Investment Promotion Agency in Beijing, informed our side of its refusal to attend the talks, arguing that "one crewman of a South Korean rice-carrying vessel conducted spying activities such as taking photos" and that "under such conditions the rice talks can no longer be held."

It has been learned that North Korea is presently detaining this South Korean vessel for investigation.

The government official said: "North Korea's allegation this time is an ominous signal which will have an adverse effect on overall North-South relations. We cannot rule out the possibility that the vice minister-level rice talks themselves will be completely suspended."

Upon receiving North Korea's notification in the morning of 9 August, the government immediately held a conference of ministers concerned to discuss measures.

Seoul Reconsidering Planned 15 Aug Proposal

SK0908105595 Seoul YONHAP in English 1049 GMT 9 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 9 (YONHAP) — The government is having a second thought on an "epochal" proposal it was planning to make to North Korea on Aug. 15 because of the recently strained South-North relations, a government source said Wednesday.

Originally President Kim Yong-sam was to make, in his national Liberation Day message, a proposal highlighting an idea of peace mechanism on the Korean peninsula.

"Because of the strained relations, however, President Kim is expected to discuss only some principle matters such as the significance of the 50th anniversary of national liberation," the source said.

It is not timely, he said, to make any significant proposal in a circumstance in which the North kidnapped a South Korean clergyman from China, refuses to send back to the South a South Korean fishing boat and its crews they seized, and holds a rice transport vessel.

The proposal initially in mind featured a durable peace plan focused on the transition of the existing truce system into a peace mechanism, the source added.

Japanese Firms Moving Into North 'En Masse'

SK0908065495 Seoul MAEIL KYONGJE SINMUN in Korean 9 Aug 95 p 2

[Report by Chong Chin-chol]

[FBIS Translated Text] Japanese general trading companies plan on advancing en masse to North Korea in August and September.

A relevant high-ranking government official on 9 August stated that "Japanese major general trading companies, such as Mitsui, Mitsubishi, Itochu, Nissho Iwai, Sumitomo, and Marubeni, are rushing to draw up formal contracts with North Korean authorities in order to establish offices and start business ventures. There are at least 15 general trading companies which are attempting to advance to North Korea, and among them are nine major trading companies." He added that "they are making efforts to advance quickly into North Korea in order to stake claims once North Korea-Japan diplomatic relations are established," and predicted that "their advance will be concentrated in August and September."

In addition to trade, these general trading companies are also planning to invest in medium- and large-scale joint-venture projects with North Korea. It was learned that they intend to establish offices in Pyongyang, which South Korean businesses have difficulty approaching.

Meanwhile, a Japanese source pointed out that Japanese companies are attempting to advance into North Korea before the establishment of diplomatic relations between the two countries, because "in addition to claiming occupancy, they will benefit from the revitalization of the North Korean economy with the influx of $5-10 billion in compensation it receives from Japan in the process of establishing diplomatic relations, and the shipments from Chongryon [General Association of Korean Residents in Japan], which are estimated to reach 60 trillion yen."

Lotte of Japan is pushing to gain operation rights to the Kumgangsan Spring Water Plant by establishing the Ponghwa Trading Company, a subordinate organization of North Korean Ministry of People's Armed Forces, as its partner, and by investing $8 million, thus attracting the people's attention.

Relevant officials at home pointed out that "with progress in North Korea-U.S. relations, U.S. business delegations will successively visit Pyongyang in order to advance into North Korea, and with the improved North Korea-Japan and North Korea-U.S. relations, the scope of North-South economic cooperation may shrink."

Meanwhile, Pak Chae-yun, minister of trade and industry, remarked on 8 August that "the ROK will positively seek a joint advance to North Korea with Japanese and American business firms."

Pak Chae-yun Meets Brazilian Counterpart

SK0908022895 Seoul THE KOREA HERALD in English 9 Aug 95 p 8

[FBIS Transcribed Text] South Korea and Brazil have agreed to bolster bilateral economic cooperation through the expansion of trade and mutual investment, the Ministry of Trade, Industry and Energy (MOTIE) said yesterday.

Meeting with Korean Minister of Trade, Industry and Energy Pak Chae-yun at the government's complex building in Kwachon, Kyonggi Province, Dorothea Werneck, visiting Brazilian minister of industry, trade & tourism, said yesterday that Brazil will extend full support to Korean enterprises wishing to make direct investment in Brazil.

In particular, Brazil hopes Korea will actively invest in the automobile and electronics sectors, said Werneck who came to Seoul Monday for a five-day visit.

Commenting that the two-way trade volume between South Korean and Brazil increases at a rapid pace, the two trade ministers agreed to further cement bilateral economic tie-ups, a MOTIE spokesman said.

South Korea's exports to Brazil amounted to $1,022 million in the first half of the year and its imports from the largest country in South America came to $640 million. The comparable export and import figures stood at $844 million and $1,019 million, respectively, in 1994.

Expressing serious concern over the Brazilian government's recent steps to restrict imports of foreign cars, Minister Pak requested his Brazilian counterpart ease the import restriction for the strengthening of bilateral economic cooperation.

Because of the Brazilian government's import restrictions on foreign cars, exports of Korean-made automobiles have been suspended since July 1, said the spokesman, adding that South Korea exported 35,760 cars amounting to $289.5 million to Brazil in the first half of the year.

Werneck, who visited Seoul to promote Korean enterprises' investment in Brazil, is scheduled to return home Friday.

Minjong Faction's Yi Chi-ho Leaves DLP

SK0908020895 Seoul THE KOREA TIMES in English 9 Aug 95 p 2

[FBIS Transcribed Text] A member of the ruling Democratic Liberal Party [DLP] hailing from Taegu bolted the party yesterday, with a severe criticism, of the Minju [Democratic] faction led by President Kim Yong-sam.

Yi Chi-ho, a former lawmaker who managed a party district chapter in Taegu, is the fortieth to say "bye" to the ruling party since the 14th National Assembly election on March 24, 1992.

Yi said in his "farewell" statement that it would be better for the people for the Minju group to dissolve the party and then create a new one loyal to President Kim.

The conservative former lawmaker urged other members of the Minjong [Democratic Justice] faction in the party, composed of holdovers from the No Tae-u and Chon Tu-hwan regimes, not to hesitate to leave the party if this is what they feel like doing. "In the DLP, the minority Minju faction controls the majority Minjong group," Yi said. "And while the Minjong members of ability and experience are alienated from participation in state affairs, a group of leftists and warriors are exercising unlimited power as aides to President Kim."

DLP leaders, to prevent his move from becoming a prelude to a collective secession from the party by members from Taegu and the surrounding North Kyongsang Province, where anti-President Kim Yong-sam sentiments run high, played down the move, saying he decamped for personal reasons.

Party spokesman Pak Pom-chin, emerging from a meeting of high office holders, said, "No participant made any comment when Secretary-General Kim Yun-whan reported Yi's departure."

But Secretary-General Kim said that he had been told by Yi that various political reasons made it difficult for him to stay in the party. But he added that there would be no more similar moves.

Ranking party officials suggested that the anti-DLP sentiment in his electoral district and the fear that he is certain not to be nominated for the general elections slated for next April because of the entrance of newcomer Rep. Yun Yong-tak to the DLP, hastened Yi's decision to leave the party. Rep. Yun defeated Yi in the last Assembly elections.

Rep. Kim Un-hwan, the party's top organizer and the only member of the Minju group who holds party office, said that Yi's leaving will have no impact on the party.

Kim added, "It's shame for a politician to criticize a party when leaving it."

Cardinal Urges Inquiry Into Kwangju Case

SK0908115095 Seoul YONHAP in English
1114 GMT 9 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 9 (YONHAP) — Stephen Cardinal Kim Su-hwan on Wednesday called for a thorough inquiry into the truth of the Kwangju incident of 1980.

"The massacre in Kwangju was a crime against humanity," the cardinal said. "The truth of that history must be unearthed by all means."

Cardinal Kim made the call in a message entitled "For the reconciliation and unity of the nation" issued on the occasion of the 50th anniversary of national liberation and division.

He said the Korean people as well as the Kwangju populace should first find out whom they can forgive before they would be able to give forgiveness from their heart.

The cardinal also branded abortion as a "challenge to the dignity of human lives."

"Old-fashioned dealing with labor issues, impertinence and indifference toward foreign workers, improper coping with the aftermath of the Sampoong collapse, failure to indict those responsible for the Kwangju massacre... All these are things that highly violate human dignity and the spirit of reconciliation," he said.

Stating that a new chapter of history is unfolding before the Koreans marking the 50th anniversary of national liberation, Cardinal Kim said the new history should be the annals of love and peace based on human dignity.

"My church hereby asks South and North Korean political leaders to try to further promote human dignity and the nation's peace," he said.

Prosecution Questions So on Slush Fund Issue

SK0908053695 Seoul YONHAP in English
0458 GMT 9 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 9 (YONHAP) — The Public Prosecution Administration on Wednesday began to question former Government Administration Minister So Sok-chae, who presented himself on his own volition, about the circumstances of his controversial allegation that a former president manages a 400 billion-won (520 million U.S. dollars) slush fund.

Earlier Wednesday morning, the prosecution summoned for questioning Song Sok-nin, 62, a trade agent, and Kim Il-chang, 55, a restaurant owner, who were known to have inquired ex-Minister So about ways to convert the false- or borrowed-name accounts containing a huge sum of money into real-name ones, and a certain Yi, who allegedly told the matter first to Song.

The prosecution questioning of So reportedly focused on the circumstances under which he made the allegation in question to seven reporters at a Seoul restaurant on Aug. 1, how his remarks were reported in the press, and who was the behind-the-scenes man that asked middlemen like Song and Kim to find out ways to go round legal provisions with regard to the secret funds.

In a statement submitted to the prosecution prior to his appearance, So said, "I heard the story first from Kim, who I became acquainted with through the political circles.... First I suspected it to be groundless, but was convinced about it from the sincere manner with which he presented the story."

"I've never identified to the reporters the holder of the alleged slush funds as a former president," So added.

"pressed by them, I merely said that he is a person close to a former president."

In the meantime, Song was known to have denied his being the divulger of the information. Song reportedly told the prosecution that a certain Yi in the athletic circle asked him in last May if he could find out ways to get some non-real-name accounts in which his brother-in-law doing casino business stashes 100 billion won converted into real-name ones. Song said he later discussed with Kim about the matter.

Song reportedly made the request to Kim, one of his acquaintances in the political arena, knowing that he is close to former Minister So. "In inquiring about the casino fund to Kim, I never mentioned a former president by name," Song was quoted as saying.

Should their testimonies turn out to be true, the possibility cannot be ruled out that the slush fund controversy might end up in a mere happening.

The prosecution, however, is bent on finding out from Kim, Song and Yi the exact amount of slush funds involved and their actual owner.

A prosecution official said Wednesday more witnesses would have to be summoned for questioning until the real initiator of the allegation and the real owner of the alleged slush funds are uncovered.

The prosecution plans to question Senior Economic Affairs Presidential Secretary Han I-hon and National Tax Administration Commissioner Chu Kyung-sok, who So is said to have inquired about the possibility of converting false- and borrowed-name accounts into real-name accounts, and also the reporters who shared dinner with So when the latter made the allegation about the slush funds.

Releases So After Questioning

SK0908122995 Seoul YONHAP in English 1219 GMT 9 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 9 (YONHAP) — Former Government Administration Minister So Sok-chae was let go home Wednesday evening after being questioned by the prosecution on his controversial remarks on the existence of a huge secret fund owned by an ex-president.

During the questioning at central investigation department of the prosecutor general's office, So said he first heard Mr. Kim il-chang, one of his acquaintances, saying he learned that a man in the core of a former regime has 400 billion won in bank deposits.

So said that Kim called on him at his government office early last July to make the remarks about the money.

"When I asked him if his remarks were true, Kim said he was informed of it by a man who was a close associate of Chon Kyong-hwan, the younger brother of former President Chon Tu-hwan," So said.

He contended he did not mention the name of any former president allegedly owning the slush fund during his fateful dinner with a group of reporters.

So went on to say that several days after his meeting with Kim, there was a Chongwadae [presidential offices] luncheon. When invitees were leaving from the luncheon, So said, he approached senior Chongwadae secretary for economy Han I-hon and spoke of Kim's remarks.

"But, Han outrightly rejected any method of legalizing the secret fund," So was quoted as saying.

The former minister, however, said he did not tell National Tax Administration Chu Kyong-sok about the money.

Meanwhile, Chongwadae secretary Han I-hon on Wednesday categorically denied So's allegation about consulting with him. "I have had no talks whatsoever with former Minister So with regard to the alleged slush fund of a former president," Han said.

The presidential aide said he would deal with So's allegation after finding out details of his statement made during Wednesday's prosecution questioning.

Banks React to Money Laundering Allegation

SK0908020695 Seoul THE KOREA TIMES in English 9 Aug 95 p 9

[FBIS Transcribed Text] Many foreign bankers and brokers have reacted in a knee-jerk fashion to an allegation that a few international banks and securities companies are places politicians use to launder their dirty money.

A Citibank official said he had been embarrassed by the allegation that the bank's private banking unit is managing "dirty money" belonging to one of the former presidents.

He hinted the possibility of legal action being taken against the press for implying that Citibank was a place to hide and launder slush funds. He said the allegation is groundless for two reasons. First, the U.S. banking regulations prohibit American banks from accepting and laundering dirty money. It is a criminal offense for U.S. banks either at home or overseas to do this, he said.

Korean regulators have been closely looking into large-sum deposits in foreign banks, especially in the private banking unit which manages the funds of the wealthy, he said.

Second, the private banking unit is so tiny that if questionable money were being held by it, everybody would know, he noted.

As for the allegation that one of the two presidents has slush funds of 400 billion won, he said that the former presidents would have to have used all of the foreign banks if they had hidden such a huge sum of money in non-Korean banks. Furthermore, labor unions play a watchdog role in checking questionable deals which might be out of line with local and international rules, he noted.

Citibank is pinpointed by rumor mongers as a place where dirty money rests because it is the only foreign bank here engaged in consumer banking.

But another American banker speculated that it is possible that dirty money in sums of 1-2 billion won might be deposited in any commercial bank in Korea. But this money would be legal because it can be kept under borrowed or stolen names, he added.

Since its launch in 1992, the nation's first joint venture securities company, Tongbang-Peregrine, has been implicated in rumors that it is managing the money of former president No Tae-u. Inside the financial community, this rumor is regarded as a fact to the embarrassment of the joint venture, a major shareholder of which is a relative of the former president.

Tongbang Peregrine's birth was political because ex-president No was in a hurry to allow the relative to set up a joint venture securities firm just before he completed his five-year term.

Tongbang-Peregrine's president Choe Tong-hun was unable to return a telephone call to discuss the allegation, and a spokesman could not be reached for comment yesterday because he was on vacation.

A broker who is well versed in the inside story at Tongbang-Peregrine alleged yesterday that Tongbang managed No's funds from 1992, but that due to the public suspicion, much of it had been transferred out of the joint venture brokerage house.

He alleged Tongbang successfully managed much of the questionable money by buying POSCO [Pohang Iron and Steel Corporation] shares at 20,000 won per share and selling them at 90,000 won.

False-Name Accounts Still Hold 43 Billion Won

SK0908093495 Seoul YONHAP in English 0837 GMT 9 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 9 (YONHAP) — Despite that two years have elapsed since the real-name financial transaction system was put into force, deposits totaling some 9 trillion won (about 12 billion U.S. dollars) are still remaining unconfirmed of their real owners, and funds totaling 43 billion won are still in false-name accounts, the Finance and Economy Ministry said Wednesday.

Customer accounts opened at banks and non-bank financial institutions that required confirmation of their holders under the real-name system numbered 175 million and the accumulation of deposits involved totaled 405,426 billion won in August 1993 when the system was adopted.

Of them, 146 million for 392,835 billion won had been confirmed of their ownership, accounting for 96.0 percent in terms of amount, as of the end of June.

Funds shifted from borrowed-name accounts to real-name ones numbering 2,969,000 totaled 3,504 billion won, while 9,086 billion won in 26 million accounts still require confirmation of their owners.

Most of these owner-unconfirmed funds are in long-term savings and insurance accounts or dormant accounts, and the owners are expected to show up when they are paid the money at the maturity of these accounts.

But in view of the controversy over the allegation that a former president holds a huge amount of political funds in accounts opened not in his name, it is presumed that the owner-unconfirmed funds may include a considerable amount of "black money," namely political funds raised in an illegal manner and slush funds business corporations illegally set aside for bribing government officials.

Of the 631,000 false-name accounts containing 2,834 billion won at the time of introducing the real-name system, 600,000 accounts were converted to real-name ones (2,791 billion won).

Those who shift funds from false- and borrowed-name accounts to their real-name ones on or after Sunday (Aug. 13), the second anniversary of the implementation of the real-name system, are required to pay a fine amounting to 30 percent of the funds, up from 20 percent before this date.

Kang Man-su, taxation chief of the ministry, said financial income, such as interest and dividend income, would be included in the global income system for taxation purpose next year, as planned.

But the government is studying plans to exclude income on long-term bond investment from the global income and issue 10-year treasury bonds starting October to attract investors to this government debt security, he added.

The government is also planning to introduce a representative or agent signature system under which a representative or agent of a fund owner, especially a business firm, can withdraw deposits for the owner in case his signature is registered along with the owner's so that the owner may let his proxy to withdraw his deposits.

In addition, the circulation of bearer checks will be reduced, while encouraging the use of personal checks as a means of payment to help the real-name system take hold as soon as possible, Kang said.

MFE To Transfer Foreign Investment Control

*SK0708024895 Seoul YONHAP in English
0158 GMT 7 Aug 95*

[FBIS Transcribed Text] Seoul, Aug. 7 (YONHAP) — The Finance and Economy Ministry [MFE] will transfer the control on foreign investment in 32 industries to pertinent ministries and agencies next month in a step to ease further restrictions on foreign access to the domestic market.

For this purpose, the ministry will amend the enforcement decree of the Foreign Investment Inducement Law and put the new rules into force on Sept. 1, Ministry officials said Monday.

Under the new enforcement decree, the ministry will retain its powers to approve foreign investment in 11 industries, including banking, trust, securities and insurance, and oversee foreign investors in these industries.

But the powers to give the green light for foreign investment in nine industries, including air cargo service and postal parcel delivery, and manage foreign investors in these industries will be transferred to the construction and Transportation Ministry.

The powers to exercise such control on foreign investment in general trading, chain-store and six other businesses will belong to the trade, industry and energy ministry, while those related to foreign investment in seed and seedling nursery and two other businesses will go to the Agriculture, Forestry and Fisheries Ministry.

The Education Ministry will also be empowered to control foreign investment in two industries, including general and special skill teaching in non-school institutions. The Culture and Sports Ministry will be given the control on foreign investment in golf course and another business, the Maritime and Port Administration in ocean freight service and another business, the Fisheries Administration in sea-water fish culture and another business, the Information and Communication Ministry in the telecommunications industry, the Health and Welfare Industry in the bioengineering industry, the Information Industry in the cable television industry, and the Forestry Administration in the quarry industry.

At present, foreign investment is not allowed in 107 strategic and sensitive industries, such as mail, railroad, waterworks, and munitions, while foreign investment in 998 industries is completely deregulated as foreign firms investing in these industries are simply required to register their investment with a domestic bank.

Foreign investment in 43 industries is subjected to the government's control—approval of investment applications and after-investment management of foreign-invested firms.

To provide better information service to foreign firms planning to invest in the country, the foreign investment information and support center at the Industrial Bank of Korea will now be put under the Trade, Industry and Energy Ministry's control. It is now under the Finance and Economy Ministry's control.

Conglomerates Urged To Help Small Industry

*SK0908060395 Seoul YONHAP in English
0526 GMT 9 Aug 95*

[FBIS Transcribed Text] Seoul, Aug. 9 (YONHAP) — President Kim Yong-sam said Wednesday the government should take extraordinary measures to ease the difficulties facing small- and medium-sized businesses, adding that he had ordered the cabinet to study making a special law to that end, if need be.

He made the remarks at a luncheon meeting of heads of the nation's 30 largest business groups (chaebol) and other industrial leaders he presided over at Chongwadae. Among the participants were Chairmen Choe Chong-hyon of Sunkyong, Chong Se-yong of Hyundai and Yi Kon-hui of Samsung and President Pak Sang-hui of the Korea Federation of Small Businesses.

The chief executive called for active cooperation of large businesses in the government's nine major programs to support small businesses, noting that, in spite of the initiatives, small businesses are still suffering financial difficulties due to large businesses' deferred payment for goods and services provided by small businesses and lack of collateral to offer for bank loans.

The economy as a whole is doing well, as seen in statistics on growth, prices and employment, but small businesses are still suffering labor and financial shortages, the president said.

He then instructed Finance and Economy Minister Hong Chae-hyong and Trade, Industry and Energy Minister Pak Chae-yun, who were at the meeting, to study plans to extend the small business-supporting programs to the distribution and service sectors and employ more foreign workers as a means of solving the labor shortage facing small businesses.

Kim also ordered them to seek financial and taxation support measures for small business restructuring, such as corporate mergers and acquisitions and change of trade (namely change from the declining industry to a rising industry).

The government's efforts alone are not sufficient to ease the difficulties facing small businesses, and large businesses must therefore be active in providing assistance to small businesses, he stressed.

Large businesses as prime contractors should be responsible for technical and financial support to their small business-subcontractors and should give priority to small manufacturers in purchase of machinery and parts, he added.

He also stressed that large businesses should restrain themselves from going into the business realm of small companies, while endeavoring to pay in cash for the goods and services provided by small companies or shorten the payment period for such goods and services as much as possible.

Chairmen Kim U-chung of Daewoo, Kim Song-yon of Hanhwa and Kim Son-hong of Kia were not present at the meeting as they are travelling overseas.

Seoul Approves Purchase of Indonesian LNG

SK0908021095 Seoul THE KOREA HERALD in English 9 Aug 95 p 8

[FBIS Transcribed Text] The Ministry of Trade, Industry and Energy (MOTIE) yesterday issued the green light to Korea Gas Corp. (KGC) for the purchase of 20 million tons of liquified natural gas (LNG) from Indonesia.

With the government's approval, the state-run KGC will sign a contract with Pertamina Saturday to introduce 1 million tons of LNG annually from the Indonesian state-run oil corporation for 20 years starting in 1998.

The purchasing price of LNG will be linked to crude oil prices on international markets and the inflation rate for consumer prices in the United States, a MOTIE spokesman said, adding that the price, if calculated now, will be about $158.3 per ton of LNG.

In July 1994, the KGC exchanged a letter of intent with Pertamina to push ahead with the long-term contract to secure enough LNG.

Domestic demand for LNG is expected to rise from 6.5 million tons in 1995 to 11 million in 1998, 13.5 million in 2000, 14.8 million in 2002 and further to 17.3 million in 2006.

To meet the increasing demand, the government will import LNG from Indonesia, Malaysia, Brunei, Qatar and Australia, the spokesman said.

Growth in Telecommunications Expected

SK0908015795 Seoul THE KOREA TIMES in English 9 Aug 95 p 8

[FBIS Transcribed Text] The electronics industry and large business groups with electronics sections have been busy preparing for the satellite telecommunications era in line with the launch of Korea's first commercial satellite, Mugunghwa.

It is hard to forecast how much effect the satellite business will have on related businesses, but it will create a derivative market scaled at trillions of won (billions of dollars) in the near future, an official of Samsung Electronics Co. said.

In this changing environment that will have Korea operating its own commercial satellite next year, large business groups are expected to wage the "war of stars," he said.

In preparation for the trial telecast of satellite channels starting next year, the electronics companies are in full swing to develop related equipment and devices.

They include digital converters or receivers for satellite telecast, wide TV sets equipped with converters, dish-shape receiving antennas, facilities for supermini earth stations called VSAT (very small aperture terminal) and emergency administration telecommunication earth stations.

Samsung Electronics plans to introduce digital converters and converters housed in wide TV sets in December. LG and Daewoo Electronics also plan to sell TV sets capable of receiving satellite telecasts by the end of this year.

The Mugunghwa satellite will be able to transmit programs for wide TV sets at the ratio of 16:9, similar to the screens in cinemas.

As a result, the wide TV market will form late this year, the Samsung official said.

He predicted that the demand of wide TVs will be at 120,000 next year, and will increase to 1.2 million in 1998, and to 2.5 million in 2000.

Electronics makers are expected to market wide TVs equipped with a converter of satellite digital signals for 2 million won. Samsung introduced wide TVs without the device last year for about 1 million won.

Existing TV owners will soon be able to buy converters cheaper than the 700,000 to 800,000 won for which they are now being sold due to rapidly rising demand.

If the satellite telecast is successful, demand of converters or receivers will amount to about 4 million units in 2000, and some 10 million units in 2005, an LG Telecom official said. The market for converters and antennas will be scaled at billions of dollars.

Now, nine companies—Samsung, LG, Daewoo, Hyundai, Anam, Daeryung Ind. Inc., Now Precision, Mirae Telecom and Penteck—have jointly developed all the parts of receivers, except for code and scrambling devices.

Korea Telecom and LG Information & Telecommunications are jointly developing transmitters with the Electronics & Telecommunications Research Institute. The two companies are also developing VSATs along with Samsung and Hyundai.

Daewoo Telecom and Tongyang Information & Telecommunications have already manufactured trial earth station equipment for emergency administration telecommunications jointly with an Italian partner.

Large business groups are waging a behind-the-curtain competition to win satellite channels in preparation for earlier distribution to conglomerates.

The Information-Communications Ministry and the Information Ministry have yet to distribute the channels to business groups.

In view of the fact that the life of Mugunghwa satellite is 12 years, observers predict that the allocation will have to be decided on soon.

Copyright 'Infringer' Agrees To Pay Damages

SK0508011795 Seoul THE KOREA HERALD in English 5 Aug 95 p 8

[FBIS Transcribed Text] A two-year-old, Korea-U.S. software piracy suit drew to a close yesterday with the Korean infringer agreeing to pay at least several hundred thousand dollars in damage.

Sejin Computerland, a local computer retailer, will make a cash payment to the Business Software Association (BSA) of the United States, announced the BSA through a spokesman in Seoul yesterday.

It was undisclosed at this time the exact amount Sejin will pay for illegal loading the software program "AutoCAD Release 11" onto the hard drive of some 60 PCs Sejin sold through its retail outlets.

But the BSA spokesman hinted the damage amount is likely to be in the range of 210 million won ($276,300), which is equivalent to the market value of the violated software, manufactured by Autodesk of the United States.

Sejin and BSA drew up the agreement in the aftermath of the June 9 verdict on a civil suit filed at the Pusan District Prosecutors' Office.

The Pusan court had ruled Sejin guilty of violating the Computer Program Protection Act, which prohibits computer dealers from giving software to PC buyers free of charge.

The latest development is seen having a substantial impact on the widespread sales practice among local PC retailers of loading free software onto newly sold PCs.

Computer market watchers meanwhile said for Sejin, the real damage is likely to be on the company's image as the fresh, new kid on the block.

Since the 1991 founding, the Pusan-based retailer rapidly expanded its chain of computer outlets to number 20 nationwide. Run by a 37-year-old entrepreneur, the company's enviable growth had generated rumors that the company may secretly be funded by a religious organization.

Sejin registered July sales of 16.6 billion won ($21.8 million), of which 3.3 billion won ($4.3 million) were profits, as announced this week by Sejin President Han Sang-su.

The company also made the local business news recently after its huge advertising expense became public.

Sejin reportedly spent some 7 billion won ($9.2 million) on advertising in the last three months, according to local press reports.

The civil suit against Sejin was brought by Autodesk Korea, which claimed lost sales due to Sejin's piracy.

The BSA represents leading U.S. software makers including Bently Systems, Intergraph, Lotus Development and Microsoft.

Barges Begin Removing Oil From Grounded Tanker

SK0608091395 Seoul YONHAP in English 0810 GMT 6 Aug 95

[FBIS Transcribed Text] Yochon, South Cholla Province, Aug. 6 (YONHAP) — Three barge tankers began Sunday afternoon moving crude oil from the Sea Prince, the oil tanker aground here in a typhoon late last month, to the 130,000-ton tanker, the Honam Diamond, 2.7 kilometers away from the Sea Prince.

They—two 2,000-ton boats and one 1,700-ton boat—will take a total of 4,000 tons of crude oil from tank No. 3 of the grounded tanker, which contains 20,000 tons, to the Honam Diamond during the day, at a speed of 500 tons an hour, Hoyu Shipping Co. which chartered the ill-fated tanker said.

If weather cooperates, the removal work will be completed in two to three days, according to the company.

The Sea Prince will be floated and towed from the rock which it hit during the typhoon after the crude oil removal is completed Tuesday, company officials said.

Officials' Assets Compensating Sampoong Victims

SK0808082395 Seoul YONHAP in English 0755 GMT 8 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 8 (YONHAP) — Top executives of the ill-fated Sampoong Department Store have promised in writing to donate all their properties to pay compensation to the victims of the tragic collapse of the store on June 29, the Seoul city government said Tuesday.

A city official said that Sampoong chairman Yi Chun and president Yi Han-sang have submitted a memorandum to the city government entrusting the representatives of the victims or their proxy with all powers to dispose of, manage and use the properties owned by them and their spouses to give compensation to the victims and sufferers from the worst-ever man-made disaster.

In the memorandum, they also promised to turn over all their stocks and bonds as well as the ownership of the Sungui School Foundation in Seoul, the official said.

Submitting the memo, chairman Yi made apology to all victims and bereaved families.

Brunei, Malaysia & Singapore

Malaysia

Closer Military Ties With South Africa Proposed

MB0908082795 Johannesburg SABC TV 1 Network in English 0500 GMT 9 Aug 95

[FBIS Transcribed Text] Malaysia wants closer military ties with South Africa. Malaysian Deputy Defense Minister Abdulah Fadzil Che Wan says they could learn from the South African military.

He was speaking after talks with visiting South African Air Force Chief Lieutenant General James Kriel. Gen. Kriel has ended a five-day visit to Malaysia and leaves for Singapore today.

Singapore

Article Details Township Proposal in Shanghai

BK0408115995 Singapore BUSINESS TIMES in English 26 Jul 95 p 3

[Report by Alvin Tay and Teh Hooi Ling]

[FBIS Transcribed Text] One man was not surprised when he read about Prime Minister Goh Chok Tong's proposal to share with Shanghai the experience Singapore has gained in public housing and urban redevelopment. He is none other than Singapore's former chief planner, Liu Thai Ker.

Mr Liu, the former chief executive of Singapore's Housing and Development Board (HDB) and the Urban Redevelopment Authority (URA), told BUSINESS TIMES that a senior Shanghainese official once floated the same idea to him.

"I was in Shanghai sometime last year and I met one of the high Chinese officials," recalled Mr Liu, currently a director of RSP [expansion unknown] Architects Planners and Engineers (Pte) Ltd. "He mentioned that there was a great need for housing in Shanghai... Everybody knew about the housing shortage."

In order to make it more attractive for foreign developers to build low and medium-cost housing in Shanghai, the Chinese were actually thinking along the same line as Mr Goh. "They were even prepared to guarantee a certain profit margin," said Mr Liu.

"But that was a task more than what I, alone, could do. So that idea was not followed up," he said.

In May this year, while on a visit to Shanghai, Mr Goh hit on a similar brainwave when he proposed to Shanghai Mayor Xu Kuangdi and Party Secretary Huang Ju that Singapore developers build a residential township in Shanghai comprising middle-income housing. When it is completed, the community in the older parts of Shanghai — slated for redevelopment — could then be resettled there.

As part of the plan, the Singapore developers would then go on to redevelop the vacated urban site. But part of the profits from developing the urban area would be used to subsidise the middle-income housing in the satellite town.

"There is obviously a coincidence of minds," said Mr Liu. "It means our thinking and that of the Shanghainese coincide. And that will make the project even more viable."

On why the proposal is a sound one, he said: "It solves the housing, resettlement and urban redevelopment problems in Shanghai. And it makes the package more attractive for Singapore and other developers to go in."

Since the idea was mooted by Mr Goh, both Singapore and Shanghai officials have been working hard to get the project going. The Shanghai government has selected five possible sites, each measuring 2 to 4 sq km, for Singapore's consideration. Two sites are in Puxi, and the remaining three in Pudong.

In Singapore, a committee of government officials and private-sector representatives is being formed to study the project's feasibility. BUSINESS TIMES understands that the committee will include officials from the national development and trade and industry ministries, as well as their agencies such as the Economic Development Board, Trade Development Board, HDB, URA and Central Provident Fund. It will be led by the EDB [Economic Development Board] and supported by the HDB.

Sources say the committee will be formed in the next few weeks. Its first major task is to visit Shanghai to evaluate the various sites proposed by the authorities there.

Meanwhile, the initial response from the private sector is one of caution. This is not surprising considering the massive size of the project. For a start, several big developers such as Straits Steamship Land, City Developments, Pidemco Land, Wing Tai and DBS Land are already heavily involved in the 70 sq km Suzhou Industrial Township, just 80 km west of Shanghai. Thus they may not want to be involved in the Shanghai project for fear of over-stretching themselves as both are huge and long-term projects.

But there are still others who might be interested. One good example is Low Keng Huat (Singapore), which earlier this month held a ground-breaking ceremony for its US$53 million [Singapore dollar] (S$74 million) mass housing project in Shanghai. This project is among the first ones the Chinese government has opened to foreigners because of the domestic credit squeeze and the intense need for mass housing.

A Singapore government official said the consortium of private developers will not be formed soon as both Singapore and Shanghai will have to get the parameters fixed first.

"The parameters are those that will ensure sufficient commercial returns for the developers, such as land price, construction costs, and resettlement compensation," he said. "Discussions and negotiations are being carried out."

On the surface, the project certainly looks attractive. A Pidemco spokesperson said: "There are more than 13 million Chinese living in Shanghai. With the redevelopment of the city which is now heavily populated, many existing residential dwellings will be affected. "There will definitely be a demand for mass housing especially with the large number of people who have to be resettled."

Chua Yang Hong, an executive director of Low Keng Huat (Singapore) Ltd, shares the view. "The average living space in Shanghai is around 6 to 7 sq m per person. They hope to raise this to 10 sq m per person by the year 2000," he said.

That means they would have to build 9 million sq m a year just to meet the space shortfall. "That is quite a lot to build in a year."

RSP's Mr Liu said the proposed area of 8-10 sq km is basically the size of most new towns in Singapore. An average HDB estate also caters to 200,000 to 300,000 people.

"Given Shanghai's city size and population density, it will need to build something similar in density to Singapore."

Mr Liu qualifies that Singapore's high-rise housing is acceptable to Singaporeans because it manages the estates very well, particularly in the maintenance of lifts.

Mr Liu, who is currently an adviser on urban planning to nine Chinese cities — Tianjin, Fuzhou, Xiamen, Wuxi, Ningbo, Yantai, Beijing, Longkou and Penglai — suggests a wide range of residential units at the proposed Shanghai township.

"The lesson we learned from Singapore is that we do not want to have exclusive social groups," he said. "Look at all our new towns. We house 86 per cent of Singaporeans. We cover low, medium and higher medium income. Even then, we feel it is not adequate. So we even introduced HUDC [Housing and Urban Development Company]. And now we even introduced, in Woodlands, landed property.

"Based on our experience, it is good to have as wide a range of housing types as possible," he said. "Partly because it facilitates social integration and partly because in a community of this size, you want all types of income groups to complement each other — in jobs, services, and so on."

Mr Liu is also clear that the proposed township should be profit-generating. "You must create job opportunities, shopping facilities and some so have good schools. Then people will come," he said. "After that, you will need the other amenities such as sports facilities, playgrounds, clinics, libraries, gardens, and so on."

"For a community of this size, we should also do our best to make it self-sufficient as what we have done in Singapore," said Mr Liu. "The more self-sufficient the new town is, the less is the dependence of its population on the downtown area, which is faced with traffic congestion."

On its viability, Mr Liu said developers would have to look at the entire package. "For example, what is the land price, and who is responsible for resettlement."

Koh Gee Kum, the managing director of Pisces Land, agrees. "The terms and conditions have to be acceptable. For example, the economic viability and the land cost must be reasonable.

"Whether we sell back to the government or to the locals, we must be cost effective. The rate of return must be at least 15 per cent net. If not, it is not worth going into it and taking the risks."

Developers cited legal issues, resettlement costs and infrastructure as some of the problems that could arise in the project.

"The problem with Shanghai now is that it is quite short of electricity and water," said Dr Koh. "Unless China has a coordination committee to help us, it's difficult for us to get things done as there are so many departments." Dr Koh said the Shanghai government should also help in developing the infrastructure for the town. Otherwise, Singaporean developers may not be willing to jump into the venture.

A manager of a property development company said pricing and location are crucial to the success of the project. "If the units are priced at 4,000 renminbi per sq m, then that's acceptable to Shanghainese," she said.

"Above that, demand may not be there."

"Also, as most Chinese still use bicycles as their mode of transport, they would not want to live too far away from their workplace," she said.

"The ideal homes for the Chinese should be within 7 km of their workplace. Its quite tiring for them to cycle if their homes are more than 10 km away."

Low Keng Huat's Mr Chua pointed out that the existing system in China also does not encourage the Chinese to own houses. "They are still on a iron rice bowl system," he said. "Housing is taken care of by the state-owned enterprises."

Mr Chua said the Chinese currently rent their flats from state-owned enterprises at low rates of $2 a month. "Why should they buy (their flats) and still pay $50 as conservancy charges?"

The good thing is that Shanghai has just started its own version of what Singaporeans call the Central Provident Fund, said Tan Beng Tat, an executive director of Tropical Development (Pte) Ltd. But the savings are still low. "You must give (the Chinese) more disposable income. You must enforce savings. Then our Prime Minister's idea will work," said Mr Tan.

Mr Chua also agreed with Mr Liu that the township must be able to make money on its own. "What makes you think that the urban site is a sure-fire thing?"

Both Mr Chua and Mr Tan suggested something similar to the COE (certificate of entitlement) system instead. "If I develop, say, 10,000 sq m of public housing, the Chinese government could issue me a COE for 10,000 sq m instead of giving me an urban site," said Mr Chua. "Shanghai could then pass a new law whereby any new development in the city area would henceforth need an equivalent COE."

New developers thus have a choice, said Mr Chua. They could either build mass housing to earn the COE, or buy that COE from the secondary market.

The COE should also be valid for 10 years, he said. "In that case, a developer could wait for the right timing before embarking on an urban project. Or they could simply sell the COE on the open market."

COEs aside, some developers are also wary that the Shanghainese can sometimes drive a hard bargain. As one local developer put it: "The Shanghainese are short-sighted but they don't wear glasses."

But Mr Liu said while the Shanghainese can be tough negotiators, the good point is that they also abide by the terms once they have agreed on them.

"This is just the beginning," he said. "If we do a good job, it will be multiplied many times over. This is one sector where demand is enormous. It is worth our while to go in."

Prime Minister Delivers National Day Speech

BK0908051595 Singapore Radio Corporation of Singapore in English 1306 GMT 8 Aug 95

[National Day Message by Prime Minister Goh Chok Tong — recorded or live]

[FBIS Transcribed Text] Good evening! The Singapore economy grew by 7.7 percent in the first half of this year. The slowdown from the 10 percent growth for the last two years is not entirely bad. It gives us a chance to consolidate and helps to relieve cost pressures and the tight labor market.

World economic prospects are mixed. The U.S. economy slowed down in the second quarter but is expected to rebound. Japan has stagnated because of the strong yen and banking problems. The European Union economies are still doing well. Asia will continue to boom but difficulties between the U.S. and China are a dark cloud on the horizon. The Ministry of Trade and Industry has forecast growth for Singapore for 1995 to be 7 to 8 percent, slightly lower than the earlier estimate of 7.5 to 8.5 percent.

In the last five years, Singapore has made steady progress. Real wages have gone up 5 percent per year. House ownership has now reached 92 percent.

Three-quarters of Singaporeans now own shares as a result of the Singapore Telecoms share issue. Education results have improved across the board for all races. Medisave, Medishield, and Medifund have made good health-care affordable to all.

The arts and culture scene is livelier with world-class concerts and musicals as well as promising local productions. We are strengthening family values and fostering community development through self-help programs. We are slowly becoming a more gracious and compassionate society, although we can do much better in being courteous and considerate to others, and to stop littering in public places.

Our per capita income has reached the level of developed countries. The OECD has reclassified Singapore as a developed country. But in reality, we are not yet truly developed. We are still behind the developed countries in education, technology, and cultural attainments.

What problems do we face in the transition into a truly developed country? Now, we have to compete against developed countries, no longer in the junior league of players. To succeed, we must steadily improve our skills and knowledge. We need the stamina to persevere, the confidence to face challenges, and the resolve never to become complacent.

To keep up economic growth, we must continuously restructure our economy, phasing out old industries [?and placing in] new ones. Last year, MNC's [multinational corporations] such as Sanyo, AT & T, and Thomson relocated some of their operations to lower-wage countries. More than 9,000 workers were retrenched, a record high. Fortunately, the retrenched workers found other jobs easily, although not always at the same pay.

Industrial restructuring is a fact of life, but we need to manage the rate of restructuring carefully. Too slow a rate and we get stuck in lower value-added activities where we can no longer compete. Too fast a rate and we lose too many jobs and cause hardship to older and lower-skilled workers. So far, Singapore has attracted many more new investments than it has lost to overseas relocation. Last year, we created a net total of 70,000 jobs, more than seven times the 9,000 jobs lost.

But the going will get tougher. Nearly half our work force has less than secondary education. We have a very narrow home-grown technology base, and no matter how much the land we reclaim, Singapore will always be a tiny country. Unlike Taiwan or South Korea, our population does not the critical mass to make us a sizable industrialized economy. These basic constraints make it hard for us to become a developed country. We have to upgrade fast enough not to lose jobs and opportunities to the other NIE's [newly industrialized economies] and to rapidly developing countries like Malaysia and Thailand. If we upgrade too slowly, we will fall behind others and fail to make the grade. And even if we manage to become a developed country but our workers are not trained for the new upgraded jobs, we will suffer high structural unemployment like Europe where the economy is growing, but unemployment stays high at 12 to 14 percent. The answer is to adapt fast. We must meet the challenge head-on and quickly improve our competitiveness in three areas.

First, we must keep the business environment attractive. We cannot have low wages, inexpensive rentals, or cheap cars in Singapore, but the government can keep the tax burden on individuals and businesses light if it keeps down government spending. We must steadily reduce tax rates, especially direct taxes and so to strengthen the incentive to work and take risks.

Second, we need to bring our skills up to the levels of a developed country to justify our higher wages. Our wages for some groups of professionals and managers are really much higher than many developed countries. It is not because our skills are necessarily higher, but because we are short of such people. The government will continue to invest heavily in education. Every child is already provided with at least 10 years of basic education. We have produced more university and polytechnic graduates. Nearly half of each cohort — 47 percent — already make it to NUS [National University of Singapore], NTU [Nanyang Technological University], and the polytechnics. By the end of this decade, we aim to have at least 60 percent do so. We also provide ample opportunities to retrain workers who are already in the work force, but our workers, especially the older ones have to realize the urgency of retraining and learn new skills before the present ones are out of date. At the same time, Singapore companies must upgrade their operations to make a better use of capital and technology and to employ their workers more productively.

Third, we should take full advantage of the region's fast growth to restructure ourselves. Companies should reorganize their operations to make use both of what the region offers and of Singapore's strenghts — our infrastructure, our financial services, our potential for higher value-added manufacturing and for siting business hubs. For example, Singapore Airlines has transferred labor-intensive operations like data entry to China, and it has engaged computer professionals in India for software development. To do everything in Singapore could put Singapore Airlines at a disadvantage. Many MNC's have also set up operational headquarters and business headquarters here. EDB [Economic Development Board] will try to attract more of them to Singapore. To reach developed country levels of performance, we need to work harder and not slacken. Higher per capital income has to be earned. It has to be sustained by continued economic growth based on productivity growth. But higher per capita income alone is not enough. We must aim for excellence in every sphere, in education, in technology, in social values, in culture and the arts. A lively, successful country has a gracious, cultivated, and compassionate society. In 30 years since independence, one generation of Singaporeans has completely transformed Singapore. Now we have the resources, the talent, and the ability to make Singapore a more attractive society to live in with opportunities for all and with every reason for confidence in our future. Let us work to achieve this together. Good night!

Indonesia

Editorial on U.S. Military Presence in ASEAN

BK0908091495 Jakarta KOMPAS in Indonesian 5 Aug 95 p 4

[Editorial: "The United States Military Presence is Still Necessary in Southeast Asia"]

[FBIS Translated Text] Discussions on the necessity for the United States to maintain military forces in Southeast Asia or otherwise have reemerged.

In a dialogue held on Thursday (3 August) between ASEAN foreign ministers and their trading partners in Bandar Seri Begawan, Brunei Darussalam, ASEAN and Japan expressed their support for the U.S. military presence in Southeast Asia to maintain regional peace and stability, as the region faces territorial conflicts in the post- Cold War period.

However, ASEAN member countries did not make any definite statement on their desired type of the U.S. military presence. Speaking at the closing of the ASEAN Foreign Ministers Meeting with its trading partners, Foreign Minister Ali Alatas said the U.S. presence need not necessarily be in the form of military bases in Southeast Asia.

However, he did not elaborate on whether this presence would contribute toward maintaining regional stability.

Indonesia's position becomes more complex every time the issue of the need for the U.S. military presence in Southeast Asia is raised.

In fact, Indonesia strongly believes in the concept of national and regional resilience instead of dependance on a superpower for the maintenance of regional stability. However, being one of the founder members of ASEAN, it needs to be cautious, particularly regarding the sensitivities of other members, as they believe there is a need for the U.S. military presence.

That was why Singapore readily offered its military facilities for the maintenance and reparation of U.S. vessels when the U.S. withdrew its forces from the Philippines in 1992.

During the Cold War, Southeast Asia's regional stability greatly depended on the balanced relations among four major and dominant powers in Asia namely the United States, China, Russia (formerly the Soviet Union), and Japan. As such, when the U.S. finally withdrew its military from the Philippines in 1992, people were worried that that would cause an imbalance among the four dominant powers in Asia.

The situation could become "more serious" if China fills the vacuum by strengthening its presence in Asia.

However, the U.S has tried to suppress this anxiety by ensuring that it will remain in Southeast Asia. Apart from having separate agreements with every ASEAN nation, it will also continue to maintain the 7th Fleet in the West Pacific and Indian Ocean. The 7th Fleet, with bases in Yokosuka, Japan, is a floating base with a potent strike force.

However, Southeast Asian countries have psychologically accepted that the U.S. military presence provides regional "security" despite continuing discussions on the strategic significance of U.S. bases in the Philippines.

Apart from being considered as a balance among the other three major powers in the Asia namely China, Russia and Japan, the U.S. presence is also seen as capable of thwarting the political ambitions of certain regional countries.

Southeast Asian countries do not have conflicts with one another, with each nation having its own perception on threats. Even so, potential conflicts do exist in the region with regards to boundaries, irrespective of whether such conflicts are amongst themselves or with some foreign nations. It is feared that the absence of the U.S. military could upset the balance of power in Asia, which could lead to an arms race in Southeast Asia.

Should the U.S. presence be considered an important balance, then the immediate challenge is how ASEAN should regulate its ties with the four major powers so that it could become the master of its own territory.

Currently ASEAN has the Treaty of Amity and Cooperation (TAC) signed by its leaders at the first ASEAN Heads of Government summit in Bali in 1976.

Vietnam and Laos also signed the TAC,which is used as the code of conduct [preceding three words in English] for settling any disputes in Southeast Asia.

At first, the TAC was only meant for Southeast Asian countries, but a protocol was drawn up later to allow other countries to sign the agreement. However, these countries are not parties but only associates to the agreement (they only say that they are willing to respect or support the agreement).

Up till now, even though the U.S. presence in Southeast Asia has been considered important, no country has yet come up with a definite idea of what that would be like.

However, the ASEAN Regional Forum (ARF), which was formed in Bangkok last year, could possibly act as a forum to support the presence of the U.S. and three other major powers in Asia given the fact that they are ARF members.

The ARF members are the seven ASEAN countries, the United States, Australia, China, Japan, Cambodia, Canada, South Korea, Papua New Guinea, Russia, New Zealand, and the European Union.

Economic Observers Criticize Capital Market Bill

95SE0162A Jakarta KOMPAS in Indonesian 13 Jun 95 p 2

[FBIS Translated Text] Jakarta (KOMPAS)—Christianto Wibisono, director of the Indonesian Business Data Center (PDBI), and Dr. Marie Pangestu, head of the Economic Department of the CSIS [Center for Strategic and International Studies], feel that the capital market bill now being discussed in the DPR [Parliament] has loopholes that can be misused by speculators. The government and the DPR need to profit from the experience of developed countries such as the United States by using as a reference three U.S. capital market laws, including the ones covering insider trading and internal acquisition.

The two economic observers said this in a hearing held by the Capital Market Draft Legislation Team of the DPR F-KP [Development Function Faction] at the DPR Building on Monday, 12 June. The proceedings were led by team chairman A.R. Rangkuti.

"For example, our capital market bill does not anticipate hostile takeovers or 'going private.' The bill needs to provide more detail and impartiality for resolving possible conflicts among independent shareholders in internal acquisitions," Christianto said.

A hostile takeover is an action that can be taken by an investor to take over a company with "company listing" status and with a majority of shares in many hands, creating a majority in the hands of that investor, who conducts a quiet transaction "raid" to raise or lower the price. "Going private" is an action to take back a majority ownership of shares in the hands of the public.

In the United States, he said, such investors are required to follow complicated and transparent procedures. In other words, when an investor quietly conducts a "raid," at a certain position called the "trigger point" he must announce his intention and must publicly announce an offer for the purpose of gaining control of a majority of shares. Other shareholders are invited to sell their shares to the "raider" or to sell them on the exchange. "It is not merely that he must report when he owns 5 percent of stock, but he must declare his intentions and strategy."

Christianto said that it can also be reversed by the government. When an investor has already legally bought and controlled a "block of shares," as in the case of the Papan Sejahtera Bank (BPS), he must "go private" by buying the entire remainder of the stock issue at the price of the last transaction when the "go private" limit was reached.

"We learn from the experience and practice of Wall Street that there needs to be a synergy between chapter IX, part five, article 81, section 2 (in connection with article 55 of the PT [limited company] bill), and chapter X, article 86. The PDBI's specific recommendation is that articles 82, 83, and 86 be revised with a synergy that will accommodate the 'anticipative' lack related to hostile takeovers and 'going private,'" he said.

In the case of "company listings," he added, a person who makes repeated purchase transactions to the point that he accumulates ownership of at least 30 percent of issued stock is required to issue publicly through the mass media for 14 days a bid for the remaining 70 percent. He must announce his plan and intention and be willing to bear the consequences of taking over the company as a closed corporation (i.e., "going private") through buying the rest of the existing majority stock. Christianto said that such provisions are for the purpose of guaranteeing that there will be no hostile takeovers.

Christianto added that if a stockholder with a conflict of interest wants to proceed with a transaction rejected by an independent stockholder, he must go through the process of buying back the shares owned by the independent stockholder at the rate prevailing at the time of the general meeting of stockholders. The purpose of this is to anticipate the possible misuse of the regulation that calls for agreement by minority independent stockholders as a way to restrict a majority stockholder who specifically intends to grab a company. "The provisions on repurchases actually are incorporated in article 55 of the PT bill but are not included in the capital market bill," he said.

Derivatives Transactions

Marie Pangestu said that the capital markets bill also does not anticipate the possible emergence of derivative products.

"We will make it hard for ourselves if we formulate bans on transactions in derivatives, because futures trading would also be affected. We must at least give guidelines, however."

In the capital markets bill, futures trading must be oriented so that there will be a type of futures trading that has a clear relationship to real commodities. "It happens now that futures trading has no clear connection with the real sector, because the Department of Trade has not provided for it."

Textile Industry Faces Raw Material Problem

95SE0162B Jakarta KOMPAS in Indonesian
21 Jun 95 p 2

[FBIS Translated Text] Jakarta (KOMPAS)—Thousands of lower medium-scale textile producers in Majalaya (West Java) and Pekalongan (Central Java) are threatened with bankruptcy because of difficulties in obtaining raw materials. The price increases, persisting over considerable time, on basic raw materials such as yarn and unbleached cloth have reached 40 to 70 percent. The prices of other components, such as support raw materials and labor, have increased by 10 to 20 percent. On the other hand, the selling prices of textiles and product textiles (TPT) have not been able to keep up with increased raw material prices.

This problem came to the front Tuesday, 20 June, in Jakarta during an exchange of views between DPR [Parliament] Commission VI, the Pekalongan Textile Producers Association (PPTP), and the Majalaya Textile Industry Group. The six-hour meeting was let by Yanis Zahiruddin (F-PP [Development Unity Faction]).

There are 9,671 textile producers in the Pekalongan area and 700 in Majalaya. Because lower medium-scale textile producers generally are labor intensive, if one goes bankrupt it could affect many people.

Eliminate Import Duties

According to PPTP Chairman Malul Akhar, it is estimated that more than 50 percent of textile companies in the Pekalongan area have made "slow-downs" and have reduced operations. In addition, 5 to 10 percent of the companies, specially those with capital shortages and old machinery, have stopped operations.

He said that textile raw materials have recently been hard to get, and when they exist, prices are out of control. "The government needs to deal with this situation immediately by, among other things, eliminating duties on imports of textile raw materials," he said.

Malul said the situation is made more serious by the sluggish market conditions brought on by declining public purchasing power. The result is that none of the TPT selling prices cover production costs. As a consequence, producers find it hard to make calculations. Businesses had this problem during the last semester (November 1994 to April 1995).

Textile producers in the Pekalongan area need 17,500 bales of raw materials every month. "The problems faced by producers in Pekalongan were reported to the Pekalongan Municipality/District Regional Leadership Council, but the council was unable to resolve the matter because it involves marketing controls," Malul said.

The small and medium-sized textile plants in the Pekalongan area are the backbone of the community's economy. The textile industry in that area has been developing since the Dutch era, specially for handmade batik, printed batik, and woven sarongs. The textile companies in Pekalongan absorb 110,000 workers.

"That number does not include artisans making handmade silk batik and traditional batik, for which the process is lengthy and is done by entire villages," Malul said, adding that Pekalongan is a textile miniature of Indonesia.

Textile Association Not Representative

The same problems and complaints are experienced by textile producers in Majalaya, which lies south of the city of Bandung. According to Edi Hidayat, chairman of the Kerta Raharja Textiles Cooperative, small-scale producers in Majalaya are generally under pressure from big businesses that have capital, technology, and market access.

Edi said that the textile industry in Majalaya has existed for generations, but because of problems with capital it has not been able to restructure the old machinery. Textile producers have asked for investment credit at low interest. "Capital assistance is need for repair of old machinery," he said.

In response to a question from DPR member Iskandar Mandji, textile producers said that they feel the Indonesian Textiles Association is unable to express the aspirations and interests of its members. To resolve the raw material problem, Iskandar recommended that government-managed spinning plants be revived.

Philippines

Talks on Spratlys Planned for 9 Aug With Beijing

BK0908034495 Quezon City Radio Filipinas
in English 0230 GMT 9 Aug 95

[FBIS Transcribed Text] The Philippines and China begin discussion today in a move designed to narrow the differences over disputed islands in the South China Sea. The foreign affairs department says the meeting attempts to narrow the difference between the two countries on Mischief Reef issue.

China delegation is headed by Assistant Foreign Minister Wang Yingfan while Foreign [Affairs] Undersecretary Rodolfo Severino heads the Philippine panel.

Tension between the two countries escalated when Manila announced that China has built structures on Mischief Reef, which is being claimed by the Philippines.

The talks will also include trade-related matters and other areas of bilateral relations.

Ramos Concerned Over PRC Spratlys Stand

BK0908041895 Manila MANILA STANDARD in English 6 Aug 95 p 28

[Report by Joem H. Magaspac]

[FBIS Transcribed Text] Despite China's commitment that it is willing to resolve the Spratlys territorial dispute with the Philippines through dialog, President Ramos remains worried about the existence of the structures China built there.

"The Philippines remains deeply concerned with the Chinese structures on Mischief Reef," Mr. Ramos said as he welcomed China's assurances of high level negotiations between the two countries to resolve the impasse.

It was the presence of these Chinese structures in the Kalayaan [Mischief] Reef, a group of islands in the Spratlys claimed by the Philippines, that triggered a heated exchange between the two governments.

China said that these structures were built to protect their fishermen operating in the area. The Philippines however said these structures are in Philippine territory and must be removed.

China refused to remove the structures, saying they were built in an area within its territorial zone.

Mr. Ramos remained confident however that the Spratlys dispute will be resolved through peaceful negotiations, allaying fears that the Philippines will be helpless once China decides to use arms in enforcing its claim on the Spratly Islands.

The president said the Philippines has been consistently holding dialogs with Chinese officials and "there have been no signs that China will stop attending these negotiations."

Aside from the Philippines and China, the Spratlys are being claimed by Taiwan, Vietnam, Brunei and Malaysia.

However, Mr. Ramos said that the commitment made by Chinese Vice Premier Qian Qichen was a positive step toward resolving the Spratlys issue.

He revealed that the Philippines outlined to the Chinese official a three level approach to the issue. These are:

1. Through bilateral consultations which the Philippines will continue to pursue with China.

2. Multilateral discussions since the problem is regional in nature.

3. The Philippine proposal for the establishment of sister-city and sister-province linkages between local government units of both countries that have close interests in the South China Sea.

Government To Strengthen Defense in Spratlys

95SE0169A Jakarta KOMPAS in Indonesian 11 Jul 95 p 7

[FBIS Translated Text] Manila (KOMPAS)—The Philippine Government must provide $51.48 million to strengthen defensive fortifications on 11 islands and 9 of the 53 atolls it claims in the South China Sea.

Senator Orlando Mercado stated this Monday, 10 July, when he visited Western Command Headquarters on Palawan Island in the Spratly Islands [as published]. He declared his support to Major General Carlos Batenga, commander on Palawan, who submitted details of things need to strengthen Philippine sovereignty in the area, which is disputed by China. KOMPAS assistant Barbara Mae Dacanay filed this report from Manila last night.

Batenga's recommendations included $24 million to strengthen the new Philippine Navy base in the area, $11.4 million to renovate the Puerto Princesa airport, and $18 million for the Kalayaan Island string.

The funds will be used for military barracks, water tanks, runways, and lighthouses on the eight islands in the Kalayaan Islands within the exclusive economic zone.

According to Batenga, the funds are needed for renovation of facilities on the islands and atolls occupied and claimed by the Philippines, besides development of Air Force and Navy bases on Palawan.

Of the islands, only Pagasa, which has an area of 22 hectares, is occupied. It has 80 military personnel from Kalayaan. The government plans to build more hostels in its effort to begin moving civilians to the island. In fact, the government has asked private developers to study the possibility of developing Pagasa as a resort. Other islands of the Kalayaan Islands are not inhabited. That is why the Philippines wants to expand and strengthen its military force, while at the same time inviting civilians to live in the Kalayaan Islands.

Trade Protocol Signed With PRC

BK0908041595 Manila PHILIPPINE DAILY INQUIRER in English 5 Aug 95 p B1

[Report by Corrie S. Narisma]

[FBIS Transcribed Text] Manila and Beijing signed Thursday a trade protocol that set the two countries' bilateral trade target for the year at $700 million to $900 million.

The target translates to a 53 to 100 percent increase in actual two-way trade between the Philippines and People's Republic of China of $455.96 million last year.

The trade protocol was signed during the 18th meeting of the Philippine-China joint trade committee by Trade and Industry Undersecretary Melito Salazar, Jr. and Chinese Foreign Trade and Economic Cooperation Vice Minister Li Guohua.

The Philippine and Chinese Governments have reached the following agreements:

— The Philippines will import from China this year 300,000 metric tons of coal; 40,000 to 60,000 tons of soyabean meal; 10,000 to 20,000 tons of soyabean and certain quantities of textile/fabrics, phosphorous, power plants, transformers, transmission lines and towers, road building equipment, electrical products, steel billets, mineral and mineral products, industrial, agricultural, and pharmaceutical chemicals, foodstuffs, and cotton.

— China agreed to import from the Philippines this year 200,000 to 400,000 tons of phosphatic and compound fertilizers; 20,000 to 30,000 tons of coconut oil and other coconut products; 10,000 to 20,000 tons of fresh bananas; 25,000 to 35,000 tons of copper cathodes; 50,000 to 60,000 tons of chrome ore; 10,000 tons cold-rolled steel coil; 60,000 to 90,000 tons tin plates; 10,000 to 20,000 tons of copper concentrates; 10,000 tons of manganese ore; 20,000 tons of phosphoric acid; 20,000 tons of fatty acid and alcohol; 3,000 tons of shelled cashew nuts; 250 tons of mangoes, and 2,000 tons of coffee beans.

U.S. Using 'Bullying Approach' To Open Markets

BK0708095395 Manila PHILIPPINE DAILY INQUIRER in English 4 Aug 95 p 9

[From the "Analysis" column by Amando Doronila: "U.S. Forcing Open Foreign Markets]

[FBIS Transcribed Text] Tokyo — The United States and Japan pulled off the brink of what could have been the first trade war in the GATT-World Trade Organization [WTO] regime when they reached on July 28 an agreement that the United States believes has increased access of its automobiles and auto parts to the Japanese market. The agreement, reached at the eleventh hour, averted a U.S. imposition of punitive tariffs worth $5.9 billion on imported Japanese luxury cars and a plan by Japan to take the dispute to WTO for violation of WTO rules on free trade.

The auto dispute will not be the last between Japan and the United States and the strong-arm tactics used by the United States on Japan to open its market illustrate an American approach that it is likely to apply on its trading partners, not excluding the Philippines.

The agreement remains ambiguous, with each side claiming to have gained concessions, and who got what will be defined in the implementation which will also entail an arduous process. Although the dispute was resolved after a tense deadlock, it has left repercussions that could damage other aspects of U.S.-Japan relations, especially security relationship.

Foreshadowing further tensions, U.S. Undersecretary of Commerce for International Trade Jeffrey Garten told the Foreign Correspondents Club of Japan the other day that there was some confusion about the exact obligations of each party. "There are continuing problems in implementation," he said. "Japan feels bullied and resentful. The United States feels frustrated because, in its view, the agreement is not being honored. No one would say that this is an attractive scenario."

But listen to this, because it tells you about the bullying approach of the United States in its almost messianic mission to open up markets of other countries to its exports in the name of free trade. "To be realistic, however, this could be a continuing pattern," Garten said. "The fact is, the United States is and will continue to be relentless in pushing for open markets around the world, including Japan's (and, may we add, the Philippines). We firmly believe that this is not just in the narrow interests of the U.S. economy, but also in the interests of the viability of a liberal world economy, too. Japan, on the other hand, has shown little flexibility in its trade concessions except under great pressure from abroad. So, despite almost everyone's wish to the contrary, we may be stuck in the rut."

The pressure put by the United States on Japan reflects a unilateral approach and use of muscle by the biggest economy in the world. The approach bypasses the WTO and Garten admitted that Japanese and Europeans had asked why the United States does not use the WTO to settle disputes with Japan. He has been told that powerful multilateral mechanism now exists in the form of the WTO and that using it would be much less contentious than the bilateral clashes between Japan and the United States.

His answer was: While the United States is committed to the WTO, "the reality is that the WTO is not yet equipped to handle many of the complex trade issues that are rising in the global arena, and which currently exist between our two countries. Today, for example, we do not believe it can handle many of the complex regulatory issues, nor a variety of anti-competitive or restrictive business practices. Given the very diverse membership, it will take time for the WTO to reach agreement on the rules of behavior in these areas, and to have competence to deal with them efficiently."

This is like saying that until WTO develops competence, international trade will be governed by and conducted according to the law of the jungle and the United States will perform the role as the international gendarme as it did during the Cold War as the leader of the anti-communist global coalition.

The anxieties left by the dispute about its impact on security relations were expressed by questions raised by some foreign correspondents. Someone asked whether the dispute over market access eroded U.S.-Japan security ties, since Americans might question the stationing of U.S. forces in Japan where it has restricted access to the Japanese market.

It was asked whether trade and foreign policy could be delinked, and all that Garten could say was that both governments were trying to isolate trade from the broader framework of their relationship. He said economic issues are increasingly at the heart of relationship between countries following the end of the Cold War and it is not easy to draw the line.

The salience of economic friction following the end of the Cold War has become an important characteristic of the post-Cold War era. It is a consequence of the fact that the allies of the capitalist bloc have lost their cementing element with the collapse of communism. They are no longer under pressure to hold together, and with the expansion of international trade, their differences are highlighted.

In much of Asia, the U.S.-Japan auto dispute was seen as more than a trade dispute. Asians were concerned about the possible damage it would inflict on U.S.-Japan security relations. These relations remain the cornerstone of U.S. security presence in the Pacific after the expulsion of U.S. bases in the Philippines. Southeast Asian countries, in particular, want this presence to remain while Asia-Pacific is in the midst of seeking a new balance of power among the United States, Japan, China, and Russia.

MNLF Chief Says Commanders Joined Abu Sayyaf

BK0708074195 Manila MANILA BULLETIN in English 4 Aug 95 p 32

[Report by Cena b. de Guzman]

[FBIS Transcribed Text] Nur Misuari, chairman of the Moro National Liberation Front (MNLF), said yesterday senior commanders of the movement have joined the extremist group, Abu Sayyaf, "because they frown on our peace talks with the government."

Misuari said the senior officers of the MNLF, recruited by the Abu Sayyaf, have "declared their dissatisfaction with the government."

"They don't want peace with the government. They want war because they said we have been betrayed by the government," Misuari said.

The MNLF chairman added that disgruntled MNLF commanders think "there is no reason to believe the government will betray us again at the end of the day."

"They are very skeptical and have joined the Abu Sayyaf," Misuari added.

This developed as the Moro Islamic Liberation Front (MILF) reaffirmed its stand for the peace process.

"The MILF said it is willing to cooperate. However, it imposed some conditions like it wants to see a real and genuine resolution of the (peace) problem. It should not be hypocritical. It should not be artificial," Misuari said.

"We have signed an agreement with then brother Hadji Murad, one of the most powerful leaders of the MILF. Under that agreement, the MILF expressed its full support for the peace process. The MNLF and the MILF have very good relations," Misuari said.

Abu Sayyaf Said Reinforcing Ranks

BK0908043095 Manila MANILA BULLETIN in English 6 Aug 95 p B-6

[Report by Vic P. Arevalo]

[FBIS Transcribed Text] Zamboanga City — The 9th PNP [Philippine National Police] Criminal Investigation Command (CIC) has received a report that some 30 young men, Christian and Muslim alike, have been recruited by the extremist Abu Sayyaf in Sibuco, Zamboanga del Norte.

CIC regional officer Chief Supt. [Superintendent] Willie Dangane reported recently that the dreaded bandit group has been trying to reinforce its ranks after it suffered reverses in the hand of government troops in the last two months.

Aside from firearms, new recruits are reportedly given "monetary considerations" once they sign up with the group, Dangane said.

The Abu Sayyaf is said to be the main bandit group that pillaged Ipil, Zamboanga del Sur last April 4, leaving 53 persons dead and over 40 others wounded. It also left the town in ruins.

Dangane said he had immediately dispatched to the area a team of undercover agents to monitor the group's movements.

Meanwhile, Dangane said that he has received report on the alleged infiltration by Muslim extremists of some secondary schools and colleges in this city. Earlier, Councilor Juanito Bruno, former education regional director, made a similar to the city council. [sentence as published]

In a related development, Southern Command chief Lt. Gen. Edgardo Batenga ordered the fielding of more military and police patrol teams in critical areas in Mindanao following receipt of intelligence reports that the Abu Sayyaf is planning to stage another terroristic attack similar to the April 4 raid in Ipil, Zamboanga del Sur.

Batenga said that towns with predominantly Christian populace appear to be the most likely targets. These include the progressive municipalities in Zamboanga del Sur, Zamboanga del Norte, and the cities of Pagadian, Dipolog, Ozamis, Iligan, Oroquieta, Cotabato, General Santos, and this city.

The Philippine National Police has alerted all provincial directors on the newly discovered attack plans of the Abu Sayyaf in Western Mindanao.

Region 9 Command chief Senior Supt. Orville Gabuna has directed all PNP commanders in the provinces and cities to beef up their intelligence and patrol operations by coordinating with local residents.

The military and police have started adopting precautionary measures to prevent attacks similar to that staged in Ipil, Zamboanga del Sur.

Thailand

Ministry Asks U.S. To Act Against Slave Labor

BK0808051095 Bangkok BANGKOK POST in English 8 Aug 95 p 8

[FBIS Transcribed Text] The Foreign Ministry has called on the United States to act against the exploitation of illegal Thai immigrants who are lured to the country by promises of fortune but who end up in slave-like conditions.

"The more the problems are revealed, the less suffering will be inflicted on innocent immigrants," Foreign Minister M.R. Kasemsamoson Kasemsi said.

The minister made the comments yesterday in response to the recent raid on a sweatshop garment factory in El Monte, Los Angeles, which employed some 70 illegal Thai immigrants.

According to a report from the Thai consul-general in Los Angeles Suphot Thirakaosan who met with the Thai workers on August 4, 66 of the seventy workers were women, most of whom came from the Northeast and claimed they were tricked.

"Their passports were confiscated upon arrival, they were not allowed to meet anyone outside and were forced to work from 5:00 a.m. until midnight," Mr. Suphot said in his report.

In addition to the 70 workers, eight Thai nationals who operated the factory were charged with harbouring, concealing and shielding illegal aliens as well as transporting aliens in violation of US immigration law.

US officials said earlier the eight suspects could face charges on up to 50 criminal offenses including forced imprisonment which alone carries a penalty of 30 years in jail.

M.R. Kasemsamoson said the US has the right to take action against the eight in accordance with its law. "They deserve it because they are parasites who exploit the fate of other people," M.R. Kasemsamoson said.

The Thai workers are being held at the San Pedro Processing Center on charges of illegal entry and working without a permit.

Mr. Suphot's report said the investigation would take seven to 10 days, including the interrogation of workers asked to testify as witness in the case.

M.R. Kasemsamoson said when the US authorities have completed their case, the ministry will issue a certificate of identification for each worker so they can return to Thailand.

The Labour and Social Welfare Ministry has already transferred $80,000 to the Foreign Ministry to help bring back the workers, Labour Permanent Secretary Sawai Phrammani said.

The labour ministry is trying to find out which job placement companies illegally exported Thai workers to the United States.

Legal action will be taken against these companies, the Labour Permanent Secretary said.

Mr. Phairat Lamyong, director of the Overseas Employment Administration Office, said names of the rescued workers were not on the Overseas Employment Fund's list, meaning they did not travel to the US through any job placement agency.

It is suspected that the workers used tourist visas to gain entry to the United States in order to seek jobs, Mr. Phairat said.

Had these workers been members of the fund, they would have been provided with air tickets, per diem and food. Mr. Phairat said.

Burmese Dissidents Mark Uprising Anniversary

BK0908055595 Bangkok BANGKOK POST in English 9 Aug 95 p 2

[FBIS Transcribed Text] About 80 Burmese dissidents protested peacefully outside their embassy in Bangkok yesterday on the seventh anniversary of a nationwide pro-democracy uprising in their homeland.

The demonstrators carried banners reading "We Will Never Forget 8-8-88" and "Long Live 8-8-88," along with their battle flag — a red banner with the yellow "fighting peacock" symbol — and pictures of freed democracy leader Aung San Suu Kyi.

The student-led, pro-democracy uprising began in Rangoon on August 8, 1988 and grew into a nationwide movement that the military crushed a month later, killing thousands. The generals continue to rule Burma through a junta called the State Law and Order Restoration Council (SLORC).

"We want democracy for Burma," said Jerry Hla Haung, a teacher at St Paul's Christian High School in Rangoon. "We want (the SLORC) to release all political prisoners."

"We still want other countries to put pressure on the SLORC," he told reporters.

He said he was more optimistic since National League for Democracy (NLD) leader Aung San Suu Kyi's release from six years of house arrest on July 10.

The demonstrators hung a plastic wreath bearing the inscription "8-8-88 All Burma Students (Thailand)" from the spiked gate outside the embassy.

One man read a statement demanding the release of all political prisoners, a halt to the national convention that is drafting a new constitution, a dialogue between the SLORC and "democratic forces," and that the SLORC recognise the 1990 general election and cede power to a government led by Aung San Suu Kyi.

The opposition NLD won the election by a landslide but the SLORC refused to stand down.

The demonstrators dispersed after about 10 minutes.

Meanwhile, the National League for Democracy (Liberated Area) (NLDLA) — NLD members who fled Rangoon after the crackdown and set up a shadow government in the jungle — marked the 8-8-88 anniversary with a call for the release of political prisoners and a dialogue between the SLORC and Aung San Suu Kyi. The NLDLA said it was willing to "work in any given role" with other pro-democracy groups and ethnic minorities "to uphold the interests of the people." It also thanked all organisations, individuals and the media "who assisted in securing the release of our national leader, Aung San Suu Kyi."

Finance Minister To Help Burma, Indochina

BK0708020495 Bangkok THE SUNDAY POST in English 6 Aug 95 p 1

[Report by Phatthanaphong Chanthranonwong]

[FBIS Transcribed Text] Financial strategies to give the Banhan Government a dynamic development role in Indochina, Burma and southern China are in the pipeline.

Finance Minister Surakiat Sathianthai, who will start by approving a soft loan to build a road link with Burma, aims to have these policies in place within six months.

Investment in Indochina and Burma will benefit Thailand, but in the past many government plans got no further than the Finance Ministry which refused to provide lenient financial terms, he told a group of selected journalists yesterday.

Among these is a Burmese request to borrow 300 million baht from Thailand to build a road from Mae Sai district in Thailand to Keng Tung.

Rangoon asked Thailand to charge it 1.5% interest but the Finance Ministry under the previous Government turned down the request and insisted on 3%.

Mr Surakiat said the road would greatly benefit Thailand through links with Burma and South China.

"The gain of another 1.5 per cent interest is nothing compared with the benefits Thailand will get. I have told the ministry to send me an official request and I will approve it," he said.

To ensure the road is of maximum benefit to Thailand, he will ask the Cabinet to make the link a "gate" for Thailand to Burma and South China. This will ease customs and immigration procedures.

Mr Surakiat said he had invited Laos to seek financial help from Thailand to build six major roads, particularly a major avenue in front of the Hokham (palace).

This would hinge on Laotian government policy, he said.

If Vientiane granted the work to the private sector, Thailand would not be involved.

But if the projects were built by the government, Thailand was ready to provide financial help.

Thailand will also set up an Indochina Fund to play a leading role in the region.

The policy was initiated by the previous government, which set the fund's initial capital at five billion baht and intended to charge 10 per cent interest on loans.

But Mr Surakiat said the proposed interest rate was too high and, because the main aim was to provide development loans, even 20 billion baht would not be enough .

He planned to set aside part of the Government budget and would also take money from Thailand's foreign reserves to use in the Indochina Fund, he said.

Mr Surakiat, one of Thailand's most prominent lawyers, said use of foreign reserves for this purpose would not breach any law.

The country's foreign reserves exceeded US$30 billion and he intended to allot about $200-300 million for this plan.

The fund would provide grants and soft loans to Indochinese development projects.

It would also subsidise interest paid to commercial banks which provided loans to these countries, Mr Surakiat said.

The Finance Ministry did not want to play the Foreign Ministry's role, but development of Indochina required financial packages and that was where the Finance Ministry came in, he said.

Thailand needed economic, not military, strategies to "battle" other countries, he said.

"If we are convinced about this vision, we will know what kind of 'arms' we want," he said, apparently in reference to an Armed Forces' request for more weapons, particularly the Navy's bid to acquire submarines.

Mr Surakiat aims to have a policy in place within six months to improve the environment.

Initially, he will use tax perks and disincentives to improve the industrial environment.

Factories importing machinery which helps reduce pollution will be given tax incentives. But those which cause pollution will be penalised through higher taxes.

He plans to build many small public parks on Treasury Department land around Bangkok.

Because it was difficult to manage large parks efficiently, those in his plan would each cover only 4-5 rai, he said.

Each park would include facilities such as tennis courts and gymnasiums for which charges would be made. Private enterprise might be invited to run the parks.

The parks project will be handled by his deputy, Newin Chitchop, who is in charge of the department.

Effect of Speeding Up AFTA Discussed

BK0908041095 Bangkok BANGKOK POST in English 9 Aug 95 p 26

[FBIS Transcribed Text] Top Thai policy-makers and economists warned yesterday that speeding up ASEAN's free trade area programme by a further three years could create too much uncertainty for business and strengthen the hand of protectionists.

Rather, ASEAN should aim to broaden liberalisation to cover agricultural products and services and to reduce specially excluded sectors, they said. They also called for a more coherent policy for Thailand's international economic relations.

Narongchai Akkharaserani, chief executive of General Finance and Securities Plc speaking on behalf of Deputy Prime Minister Amnuai Wirawan, said too little time was left to renegotiate the programme to achieve free trade by 2000.

He and former deputy prime minister Suphachai Phanitchaphak agreed that free trade by 2000 would leave businesses too little time to adjust to new competition. This would be particularly difficult if the ASEAN Free Trade Area's [AFTA] "fast track" sectors were also accelerated to achieve free trade by 1996 or 1997, Dr Suphachai said.

Deputy Permanent Secretary for Commerce Karun Kittisathaphon suggested that instead of speeding up the programme, ASEAN should aim for zero import tariffs across the board instead of the currently proposed 0-5% under AFTA.

Calling for AFTA to cover more sectors, Mr Karun warned that the present Thai strategy for bringing agriculture into the programme could backfire.

The list of 40 agricultural products that Thailand is threatening to exclude from agriculture could be seen by other ASEAN members as a reflection of Thai protectionism rather than an attempt to open up agricultural trade, he said.

Dr Wisan Pupphawesa of the National Institute of Development Administration and Thailand Development Research Institute called for more effective measures to help businesses adjust. He argued that Thailand would gain most from its own liberalisation, and therefore Thai import barriers should be lowered even if other countries do not follow suit.

At last week's annual meetings of ASEAN foreign ministers, Sultan Hassanal Bolkiah of Brunei proposed completing the AFTA programme by 2000 instead of 2003.

Dr Suphachai said yesterday the idea was also discussed at the ASEAN economic ministers' informal retreat in Phuket in April. But the ministers decided not to reveal the proposal, he said.

Last September, the ASEAN economic ministers had already brought forward the target date for free trade from 2008 to 2003; continually changing the timetable would be unsettling for business, he said.

The four were speaking at a panel discussion on the new Government's international economic policy, organised by the Social Science Association of Thailand, THAMMASAT ECONOMIC JOURNAL and Kobfai Publishing Project, at Thammasat University's Economics Faculty.

They covered a range of issues, from AFTA and regional growth areas to Asia Pacific Economic Cooperation [APEC] and the World Trade Organisation.

They generally agreed it would not be in Thailand's interest for APEC, whose membership spans the Pacific, to accept the US line on trade liberalisation.

The United States is still insisting that any lowering of trade barriers by APEC members should only apply to non-members such as the European Union if those non-members reciprocate.

Panelists warned such an arrangement would give the United States an economic advantage in the region when it is in the interests of Thailand and other countries to strike a balance between all trading partners.

Dr Suphachai said APEC should not become a negotiating forum. An advocate of global liberalisation under the World Trade Organisation, Dr Suphachai said APEC members should be allowed to choose individually when they are ready to lower trade barriers. Richer countries such as the United States, Japan, Canada and Australia should start first, he said.

He said the Government should quickly establish its response to the proposed list of sectors and products whose liberalisation by APEC members would be presented as a "down payment" for negotiating freer trade with non-members.

Committee for Political Reform Announced

BK0908042595 Bangkok THAILAND TIMES in English 9 Aug 95 p A3

[FBIS Transcribed Text] Bangkok — The full list of members of the newly-established committee for political reform signed by Prime Minister Banhan Sinlapa-acha was announced yesterday by the Prime Minister's secretariat.

A 35-member committee established by the government on Monday comprised representatives from all political parties, academics, NGOs and democracy groups.

The appointment of the committee members, led by Chat Thai Party deputy leader Chumphon Sinlapa-acha was done in accordance with the Article 11 (6) of the Constitution.

The list of the committee members is as follows: Chairman

— Chumphon Sinlapa-acha Deputy Chairman

— Phokhin Phonlakun
— Prof Likhit Thirawekhin
— San Hatthirat Members
— Prof Amon Raksasat
— Khotohm Ariya
— Sirin Thupklam
— Prof Bowonsak Uwanno
— Prathip Ungsongtham
— Somyot Chuathai
— Wisut Phothaen
— Phanthip Siriwanbut
— Niphon Sorakan
— Suchon Chalikhrua
— Montri Rupsuwan
— Atsadang Panikabut
— Thiraphat Serirangsan
— Sorachak Kasemsuwan
— Suraphon Nitikraiphot
— Sophon Suphaphong
— Kriangsak Lohachala
— Charoen Khamphiraphap Secretary
— Pranot Nanthiyakun Deputy Secretary
— Sunthon Manisawat

The rest of the 35-member committee is composed of representatives from all political parties in both coalition and Opposition blocs.

The groundwork for the committee will include:

— To conduct the democracy development plan in accordance with the government policy as well to propose ways and methods for political reform to the Cabinet.

— To consider the amendment of Article 2 11 of the Charter as proposed by Magsaysay awardee Prawet Wasi and measures proposed by other democracy groups.

— To assign state agencies or existing committee members to study and analyze existing laws or to draft new ones.

— To set up a committee and sub-committee or study team for various issues related to political reform.

— To report the committee's progress to the prime minister and the Cabinet every three months.

Chumphon said the first meeting of the political reform panel will be held not later than Friday of this week.

Minister Identifies Areas in Deficit Cutback

BK0708051595 Bangkok BANGKOK POST in English 7 Aug 95 p 17

[FBIS Transcribed Text] Joint action by all state agencies is essential to resolve Thailand's current account deficit problem which has become critical.

Finance Minister Surakiat Sathianthai said at the weekend he has been convincing other Cabinet members of the need for a united approach to the problem.

The Finance Ministry was in "full gear" to tackle the deficit, he told journalists.

People usually thought responsibility for solving the problem belonged to the ministry and the Bank of Thailand. But it involved many government agencies and, without their cooperation and coordination, it would be difficult to find a solution, he said.

Earlier, Bank of Thailand Governor Wichit Suphinit said the current account deficit, troubled by the strengthening yen, was more critical than expected.

The original plan to reduce the deficit from 6 percent of gross domestic product to 2 percent within five years has become difficult to achieve and the central bank has had to change its target.

A reduction of the deficit to 3.5 percent by 2001 is now the best that can be achieved, according to Mr Wichit.

But Mr Surakiat insists that although fiscal and monetary measures are most essential to cut the deficit, many other things can be done to help.

This week or next, he will appoint a committee to find a solution. The committee will be chaired by Finance Permanent Secretary Aran Thammano and be made up of representatives from state agencies including the Science, Technology and Environment Ministry, the Mercantile Promotion Commission and the Tourism Authority of Thailand.

"People may not understand why representatives of these agencies are appointed to this committee," Mr Surakiat said.

But they relate to four major areas in which Thailand loses or gains foreign exchange the most.

The first is tourism, which has been in recession for years owing to problems ranging from domestic political instability in the past four or five years to fears of AIDS.

The industry used to be Thailand's top foreign exchange earner and the Government would have to make it boom again, Mr Surakiat said.

The second is transport, particularly shipping. A strong national mercantile fleet will have to be built up. At the same time, the Finance Ministry is ready to provide financial privileges to those intending to invest in mercantile fleets.

The third is construction. Many multinational contractors have won big contracts in Thailand.

Thai contractors would be financially armed to make them more competitive in battling foreign rivals, Mr Surakiat said. They would be helped to cut their costs.

"I asked some Thai contractors why they cannot compete with foreigners. They said their costs are higher because their cost of acquiring bank guarantees is very high," he said.

The last area is payment for copyrights and patents.

Mr Surakiat said the Copyright Act did not protect developers of computer derivatives programmes. Instead, it provided full protection for only the original creators and prohibited any adaptation of those creations. This made development of derivatives programmes illegal.

Thai technicians were keen to develop derivatives programmes and this willingness should be supported and promoted, he said.

Although he plans to legalise the development of derivative programmes, it will take time for laws to be changed.

He will therefore ask the Science, Technology and Environment Ministry to encourage Thais to create innovations as this would cut patent fees paid to foreigners and, at the same time earn foreign exchange by selling Thai copyrights to other countries.

He will support the establishment of a fund to promote research and development. This could be a joint project between the Science, Technology and Environment

Ministry and the Intellectual Property Department of the Commerce Ministry.

Mr Surakiat said his planned committee would encourage state agencies to work out plans to solve their own problems. The committee will consider and improve the plans before submitting them to him for Cabinet approval.

The minister said he wanted to make Thailand a financial hub of the region by proposing full liberalisation of the financial sector to the meeting of the ASEAN Council next month.

He said he was confident the Thai banking industry was second to none in the region. "We are able to compete with every country, even Singapore."

He will consult the Bank of Thailand about the details before expanding on his idea.

Thailand should expand its roles to South Asia, particularly India, where the middle-income market totalled 200 million people, he said.

Some Thai banks have been trying to win approval to open branches in Bombay.

If Thailand could obtain a reciprocal banking agreement with India, it would be greatly beneficial for the Thai economy, he said.

Minister Views Plans To Reverse 'Brain Drain'

BK0708021395 Bangkok THE SUNDAY POST in English 6 Aug 95 p 3

[FBIS Transcribed Text] Due to the shortage of university trained experts, Thailand is planning to reverse the Thai "brain drain" to improve the country's educational standard, University Affairs Minister Bunchu Trithong announced.

Presently, Thailand lacks personnel in 16 major professions vital for national development.

Many Thai experts in fields such as medical and other sciences as well as technology have left home to work abroad. Some wish to return to alleviate the problem, however.

"I have discussed this with the Association of Thai Professionals in America and Canada (ATPAC), and they are going to send qualified members to transfer new knowledge to Thai students," said Mr Bunchu.

Established in 1991 by 29 Thai professionals, ATPAC aims to encourage the development of the sciences, technology, education and economics in Thailand.

Furthermore, it will be a centre providing updated knowledge and new advances to the country.

"Though they might not be ready to return permanently, they could teach on a short-term basis from a month to a year.

"They could alleviate the personnel shortage crisis," said Mr Bunchu, adding this would save money as the Government wouldn't have to fund local instructors to study abroad or hire foreign ones.

But to tempt such professionals back home some changes are required such as an adjustment in their existing pay structure.

"The time has come to accept that those who are knowledgeable and hard-working should receive more in return.

"I don't think equal pay for each instructor should remain since they have different capacities," Mr Bunchu stated.

Apart from the pay, however, an ATPAC representative, Nongnut Inpanbut, suggested the ministry should be rearranged to confront the change.

"We volunteer to help transfer advanced knowledge regardless of any form of pay.

"But it is necessary that the existing systems become more independent and efficient," said Dr Nongnut who used to work at Mahidon University and is now a Thai associate professor at Ohio State University.

Besides such changes, the ministry is attempting to implement information technology (IT) at several local colleges, universities and their campus.

"To enhance educational chances we plan to use IT technology in new and expanding universities.

"Nationwide, students will be able to have an interactive education with the instructors and ATPAC personnel," added Deputy Permanent Secretary of University Affairs, Kanok Wongsetragan.

Thanks to IT, ATPAC experts may not have to come to Thailand; they could bring professional knowledge and expertise back to their homeland from where they live, added Mr Kanok.

Change is in the wind. Next Tuesday, the minister will propose a 3-billion-baht budget for a human development project to the Cabinet.

If approved, the project will start in fiscal year 1996 and last for five years.

Vietnam

Writer Barred From U.S. Conference, Resigns

952E0086A Ho Chi Minh City TUOI TRE in Vietnamese 3 June 95 p 8

[Article by Thuy Nga: "Why Did Ly Lan Resign From the Writers Association?]

[FBIS Translated Text] The most recent announcement of the executive committee of the Ho Chi Minh City Writers Association included an item that drew attention: the writer Ly Lan had submitted her resignation.

The sketchy nature of that announcement has given rise to much arguing. To avoid unnecessary rumors prior to the congress of the Ho Chi Minh City Writers Association, we met with Ly Lan to ask why a founding member and a member of the association's executive committee abruptly submitted her resignation, at the very time when the association was preparing to hold its congress.

Ly Lan said, "It was not just recently, but in mid-April, that I announced that I would resign from the executive committee and also from the writers association. I did not resign because I was angry at the association, but because that was the only recourse I had, for neither my association nor any echelon had informed me why I was not allowed to go to the U.S. to attend a seminar ("The Vietnam Legacy—20 Years After the War") at the personal invitation of the University of California."

To clarify that situation, I went to the office of the weekly VAN NGHE THANH PHO to meet with the poet Chim Trang, editor-in-chief, a member of the association's secretariat, and head of the external relations subcommittee of the Ho Chi Minh City Writers Association.

[Thuy Nga] How is Ly Lan's resignation from the association related to your work? What do you think about that matter?"

[Chim Trang] I think the matter of whether or not a writer is allowed to travel abroad is nothing unusual. Ly Lan said the same thing to me, that it didn't matter much whether she went or not. But regrettably, in this case the Writers Association and the upper echelon did not clearly explain why Ly Lan was not allowed to go. That resulted in harm being done to a writer. Our secretariat also had some responsibility, although the decision was up to the upper echelon.

[Thuy Nga] With regard to a letter of invitation sent through the Writers Association, what actions does the association take?

[Chim Trang] According to our work rules, in such instances the secretariat must discuss things in advance and grasp the situation, and make a recommendation to the leadership echelons.

[Thuy Nga] In the case of Ly Lan, how did the association handle the matter?

[Chim Trang] Mr. Nguyen Quang Sang, the general secretary, told me a letter had been received inviting Ly Lan to read her works at a seminar at the University of California. At that time I was in agreement, but recommended that the matter be discussed by at least two-thirds of the members of the secretariat. Afterward I learned that Nguyen Quang Sang had only told me and the writer Anh Duc orally. That's all I know about it. Later, I only heard that Ly Lan as not allowed to go, while people in many other occupations, such as Mr. Tran Van Khai, an architect in the city; Mr. Ha Minh Duc, a literary critic in Hanoi; and even someone in the agricultural sector, were allowed to go. I don't know the specific reasons.

[Thuy Nga] I sincerely thank you.

Radio Reviews Relations With Singapore

BK0908140595 Hanoi Voice of Vietnam in English 1000 GMT 9 Aug 95

[Radio review]

[FBIS Transcribed Text] Singaporeans are celebrating their 30th National Day on Wednesday. Marking this event, our radio editor reviews relations between Vietnam and Singapore.

Relations between Vietnam and Singapore have in recent years seen great progress, particularly since 1991. In November of last year, Vietnamese Prime Minister Vo Van Kiet visited Singapore. Earlier, Party General Secretary Do Muoi visited the island state in October 1993. In return, in March 1994, Singapore Prime Minister Goh Chok Tong, Senior Adviser and former Prime Minister Lee Kuan Yew, and high-level officials of Singapore visited Vietnam. The exchange of high-level visits to the two countries helped promote friendship and cooperation in many fields. They have so far signed many agreements on cooperation in economic, trade, science and technology, payment, and post and telecommunications. Singapore is [words indistinct] Vietnam two largest trading partners with two-way trade turnover of (?1.4) billion U.S dollars in 1993 and 2 billion dollars last year.

It is expected that Singapore will soon rank third among investors in Vietnam with 95 projects capitalized at 1.2 billion dollars. In the first four months of this year, Singapore invested another 594 million dollars. At present, Singapore is helping Vietnam with the construction of the industrial zone in Song Be Province, in the south of Vietnam, and has granted 10-million-dollar aid for personnel training, and only recently, with Vietnam joining the ASEAN, Singapore and Canada are helping train Vietnamese staff to take part in ASEAN forum.

The Singapore prime minister and former Prime Minister Lee Kuan Yew have praised Vietnam's renovation process and have on many occasions continued active assistance to Vietnam and offering precious experience. Prime Minister Goh Chok Tong and other Singapore leaders have also given positive support to Vietnam's joining ASEAN.

Ministry Reports Increase in Export of Labor

BK0708051195 Hanoi VIETNAM INVESTMENT REVIEW in English 17-23 Jul 95 p 24

[FBIS Transcribed Text] The number of Vietnamese workers sent overseas has increased more than 10-fold in the past three years.

According to Ministry of Labor statistics, some 811 workers were sent overseas in 1992. By last year that number had multiplied to 9,234. Of the more than 10,000 expected to work outside Vietnam this year, at least half will be heading for South Korea.

In the first six months of this year, a total of 4,500 people were sent to work abroad, including 2,127 seamen, 972 general workers, 799 construction workers and 566 industrial workers.

On average, each worker sends about $4,000 home every year — 20 times the average per capita income in Vietnam. The Vietnamese Government sets no limit on how much they can earn, the ministry said. Total remittances by these workers in 1994 reached $56 million.

East European countries were the leading destination for Vietnamese labor. Now new markets are being sought mostly in the middle east and northeastern territories.

"We haven't had much success," said Tran Van Hang of the ministry's foreign labor force department. "Things that block our access to these markets include their method of working, the language barrier and the health conditions of Vietnamese workers. If we had access to, for example, Taiwan's market, we could send at least 7,000 workers there. We hope to open the market this year."

Earlier this year, the government issued a decree detailing the export of labor to foreign countries, giving permission to 37 state-run agencies to recruit workers to work abroad. Of these agencies, the Overseas Labor Cooperation Company under the Ministry of Transport, signed most of the contracts.

To date, Vietnam has set up labor cooperation relations with 36 countries.

Ba Ria-Vung Tau Oversees Party Congress Issues

BK0708133495 Hanoi NHAN DAN in Vietnamese 18 Jul 95 pp 1, 3

[FBIS Translated Text] Implementing the party Central Committee Secretariat's directive No. 51 on convening party organization congresses at various levels, the Ba Ria-Vung Tau Party Committee has formulated plans to supervise and guide various party organizations in districts, cities, towns, and basic units to satisfactorily make preparations for their congresses. The provincial party committee has set up a sub-committee to make preparations for the province's 2d party organization congress.

After appraising the achievements in implementing the provincial party organization's resolution on improving the socioeconomic, national defense and security, and political and party building tasks during the past period, the Ba Ria-Vung Tau party committee decided to continue carrying out the the provincial socioeconomic development program in the direction of promoting "industry, services, and agriculture," with special attention given to the oil and gas industry and services, expanding foreign trade relations, and striving to attain the GDP per capita of $900-$1,000 by the year 2000. Efforts must be made to balance the economic growth with capital construction investment, improve educational and cultural activities, and strengthen the party building task in various respects. Regarding the quality of staff for the upcoming congress, Ba Ria-Vung Tau intends to elect a more capable executive committee to supervise the implementation of the socioeconomic tasks, which are heavier than in the past, while striving to develop key economic sectors and recruit more competent cadres for the provincial party committee. Efforts must also be made to recruit — for party organizations directly subordinate to the province and local state-run enterprises — cadres with firm political backgrounds, who have long-term membership, and who are ready to cooperate and work with local party committees. We must encourage young party members to participate in party committees, especially those who hold secretarial posts. However, we should not select those who are young but lack essential qualities and ethics, and who are not trusted by party members and the people.

While making preparation for the upcoming party congresses, Ba Ria-Vung Tau should urge various party organizations to seriously appraise the leadership role and efforts by various party committee echelons and party members in implementing the party Central Committee's Third Plenum resolution on renovating and revamping the party; the resolutions of the party Central Committee Fourth, Fifth, and Seventh Plenums; and the resolution of the Midterm National Party Conference.

Recently, the executive committee of the provincial party organization held an expanded conference to appraise the results in implementing the socioeconomic tasks during the first half of 1995, review the results in carrying out the party Central Committee's Fourth and Fifth Plenum resolutions, and formulate measures to carry out tasks during the second half of this year.

Comrade Pham Van Hy, member of the party Central Committee and secretary of the provincial party committee raised the urgent issues and essential tasks that must be addressed and carried out by the province in the second half. He called for the efforts to urgently reform the administrative procedures and satisfactorily implement the government's decree on traffic safety in towns and cities. He urged various party organizations to seriously make preparations for party organization congresses at various levels in conformity with the spirit of the party Central Committee Secretariat's directive No. 51 and in accordance with the work schedule set by the provincial party committee. Efforts must be made to disseminate the congress' spirit and objectives among party members so as to ensure the success of party organization congresses at various levels.

Ninh Binh Holds Party Organization Congresses

BK0708145495 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 4 Aug 95

[FBIS Translated Text] Ninh Binh Province recently successfully organized basic party organization congresses at the grassroots level. It was good preparation for party organization congresses at higher echelons.

Through past experiences, the province contends that party organization congresses at the grassroots level should be carried out in accordance with the schedules while efforts must be made to avoid hasty congresses held just for the sake of form.

At these congresses, it was noted that reports on the results of tasks during the past period were too long and redundant while little attention was given to the implementation of urgent tasks.

Da Lat City Party Admits 58 New Members

BK0808103995 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 4 Aug 95

[FBIS Translated Text] The Da Lat city party organization of Lam Dong Province has admitted 58 new party members since early this year. Most were intellectuals working for various state agencies. The city party organization is making great efforts to ensure that every basic party organization in Da Lat will have new party members by the end of 1995.

Ho Chi Minh City Admits New Party Members

BK0708133595 Ho Chi Minh City SAIGON GIAI PHONG in Vietnamese 14 Jul 95 pp 1, 5

[Report by H.S.]

[FBIS Translated Text] On the afternoon of 13 July, the Ho Chi Minh City party committee organized a conference to review the implementation of the city party committee's Directive 15/CT-TV on "the campaign to recruit new party members to mark the party's 65th founding anniversary." Comrade Pham Van Hung, member of the standing committee and chief of the organizing committee of the city party committee, directed the conference.

Comrade Truong My Le, vice chairman of the organizing committee of the city party committee, delivered a report indicating that thanks to the campaign to recruit new party members, grassroots party committee echelons and party members have made positive changes in terms of ideological awareness and that more new party members have been recruited from people in population areas and college students...

In the first six months of 1995, altogether, 754 party installations have admitted new party members, thus reaching a new party membership ratio of 33.48 percent. The new party membership ratio of Precincts 4, 1, 5, and 11 and of Tan Binh and Go Vap Districts was 40 percent or higher. At the district level, 112 out of 345 party installations have admitted new party members and reached a ratio of 32.4 percent with Binh Chanh District topping the list thanks to the highest number of new party members (50 percent). Five units belonging to different departments, branches, and bureaus have reached the new party membership ratio of 40 percent or higher. They included the city military command, public security service, border defense force, internal security bloc, and ideological-cultural bloc.

In the first six months of 1995, party installations have admitted 1,659 new party members, or 182.1 percent more than the same period in 1994 and 87.82 percent compared with the whole of 1994. The newly admitted party members this time included 57 comrades assigned to work with city bloc groups and people's groups and 22 comrades of Chinese origin.

The party organizations of Binh Chanh District, Ward 12 of Precinct 6, the bloc of grassroots party organizations of the Ministry of Light Industry, the Pre-School Teachers Training Center, and the city youth union organization presented reports on new party members recruited by units under their charge.

In setting future trends, the conference stressed the need to devote efforts to guiding the admission of new party members to grassroots party chapters and party installations and pay great importance to primary party organizations that have lagged behind in recruiting new party members and to grassroots party organizations with large numbers of people, cadres, and office and manual workers. Besides efforts to increase the size of new party members, great importance must be attached to quality and selection criteria.

Data on Violations of Business Rules Issued

BK0708150095 Ho Chi Minh City SAIGON GIAI PHONG in Vietnamese 16 Jul 95 p 8

[Report by Q.T.]

[FBIS Translated Text] In the first six months of this year, the city market management force checked and drew up reports on 3,090 violations against production and business regulations, including 1,079 cases of trading in banned goods (the trade in foreign-made cigarettes accounted for 968 cases and involved 250,910 cartoons of cigarettes of all brands), 174 cases of production or sales of contraband goods or goods of low quality, 556 cases of import tax evasion, 674 cases of violations against business accounting principles, and 607 cases of violations against business registration regulations. A breakdown of actions already taken is as follows: Twenty cases have been clarified. Warnings have been issued to 73 cases. Fines have been imposed on 1,303 cases. Goods have been confiscated in 1,043 cases. Three hundred seventy cases have been routed to the tax sector. Fifty-four cases have been forwarded to the Organ of Control or Public Security Service. A total of 19.3 billion dong has been collected and remitted to the state budget. According to the evaluation of city market management cadres, despite the fact that the state has allowed the production of 555, Dunhill, and Marlboro in Vietnam, bolder and bolder and more and more sophiscated operating procedures have been used to facilitate the sale and circulation of foreign-made cigarettes.

Australia

Evans: Sanctions Unlikely To Affect France

BK0908151095 Melbourne Radio Australia in English 0100 GMT 9 Aug 95

[FBIS Transcribed Text] The foreign affairs minister, Gareth Evans, says it is unlikely any Australian state government-imposed sanctions would impact on the French Government's decision to resume nuclear testing in the Pacific.

Senator Evans said the federal government is concerned any sanctions could backfire and lead to French complaints against Australia. He also says Canberra will not help New South Wales pay damages or compensation to a French company which the premier, Bob Carr, is considering excluding from a government tender for police helicopters.

Mr. Carr had written to Senator Evans seeking his advice before committing New South Wales to economic sanctions on French firms.

Spokesman: LE FIGARO Article "Offensive"

BK0908072095 Hong Kong AFP in English 0422 GMT 9 Aug 95

[FBIS Transcribed Text] Sydney, Aug 9 (AFP) — Australian Prime Minister Paul Keating hit back Wednesday at a personal attack on him by a major French newspaper, saying it showed contempt for Australian values.

The rightwing daily LE FIGARO accused Keating Tuesday of having a "fetishistic hatred" of France and claimed his recent attacks on France were motivated by a bad conscience over "ethnic cleansing" of Australia's indigenous population.

The article by LE FIGARO editorial director Franz-Olivier Giesbert, underscored the bitterness which has entered the debate over French plans to resume nuclear testing in the South Pacific from next month.

It came a day after the respected afternoon daily LE MONDE called on French President Jacques Chirac to reverse the nuclear decision, which has sparked worldwide condemnation and protest.

A spokesman for Keating described the article as "offensive, inaccurate and irrelevant", saying it was "a vindictive response by a right wing newspaper to the obvious international disapproval of the French government's decision".

Asked by reporters for his reaction, Keating said: "Only that it holds the values of Australians in contempt."

Australia, he said, had given up colonialism in the 1970s, but France was still holding on to it in the Pacific. "Maybe the French should have a good look at themselves," he said.

Giesbert accused Keating of turning the nuclear issue into a broader anti-French campaign for what he said were clear political reasons, arguing that it was ill-placed for Australia to invoke ecology, human rights and colonialism given its own record with native Australians.

"One is left speechless when faced with the fetishistic hatred of your government towards us", he said, claiming Keating's ulterior motive was that he wanted Australia to "dominate the South Pacific".

He acknowledged Keating's personal efforts to improve conditions for Aboriginals by recognising their right to ancestral land, saying: "Bravo."

"But since you are not a monster, this has not been enough to salve your bad conscience after so many decades of 'ethnic cleansing'," Giesbert wrote. "I pity you. Your cross must be hard to bear."

The Prime Minister's spokesman referred to Keating's love of French culture, art and architecture for which he is frequently lampooned by Australian cartoonists and columnists, saying: "To suggest that he hates France would surprise most Australian journalists."

The spokesman dismissed the charge Keating had a bad conscience over Aborigines, saying he had led the process of restoring legal land title to the indigenous population through recent legislation.

"In fact it would be claimed of him by his many supporters that he has done more for the Aboriginal community than any other Australian political leader has ever done.

"That is not to deny the brutal history of relationships between Australia's early settlers and the indigenous population.

"But how that relates to the unnecessary and outrageous testing of nuclear weapons in the Pacific is for LE FIGARO to explain.

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